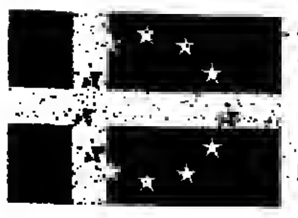


Tilt to the north

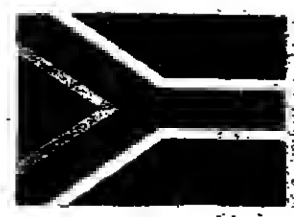
The EU after Sweden says Yes

Page 17

Internet democracy

Tyranny of the majority

Joe Rogaly, Page 16



National mission

Reconstructing South Africa

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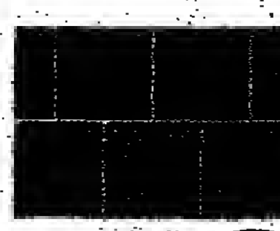


Today's surveys

Computers in Finance

European Airports

FINANCIAL TIMES

Europe's Business Newspaper — TUESDAY NOVEMBER 15 1994 — D8523A

Yeltsin warns of renewed friction with Washington

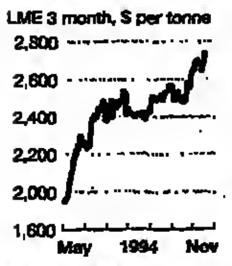
Russian president Boris Yeltsin yesterday forecast new friction between his country and the US after *last week's Republican victories in the US mid-term* polls. In his first public comment on the elections, Mr Yeltsin predicted a tougher US stand on foreign policy and military issues, saying: "We should acquire contacts with the Republicans to balance our relations." **Page 18; Foreign policy gridlock, Page 17**

Kerkorian on the attack: Kirk Kerkorian, billionaire US investor and the biggest shareholder in Chrysler, *attacked the carmaker's anti-takeover* defences and said he wanted to raise his Chrysler stake. **Page 19**

WEU pledge on Bosnia arms: Members of the Western European Union defence group pledged to maintain the arms embargo against Bosnia despite the US withdrawal. Several WEU countries deplored the US position. **Page 2**

Shell to expand in Italy: Royal Dutch Shell is buy the half-share in Italy's MonteShell petroleum joint venture which belongs to Edison, the energy subsidiary of industrial group Montedison. **Page 19**

Copper



Source: FT Graphite

Copper surges: Copper reached a four-year high on the London Metal Exchange after it rebounded from a morning bout of selling. The three months delivery contract reached $2,751 a tonne at the close, an increase of $68.50. Other base metals followed copper's lead and all ended the day with substantial gains. **Commodities, Page 33**

BSkyB chief stands to get £3m: Sam Chisholm, chief executive of British Sky Broadcasting, could receive up to £3m ($4.92m) in salary and bonuses this year, according to the pathfinder prospectus for the satellite television venture. **Page 19; Lex, Page 18**

Lottery fever sweeps Britain: Britons bought up £7m ($8.2m) worth of tickets in the first 12 hours after the launch of a national lottery. The first draw will be on Saturday. **Page 18**

Profits surge predicted: West German industrial profits could jump by 150 per cent this year as a result of recovery and higher productivity, *Munich-based economic research institute Ifo fore*cast. **EU recovery strengthening, Page 2**

Multimedia link: Japanese consumer electronics company Sharp and Fujitsu, the country's biggest computer maker, are to co-operate in multimedia markets by developing new products based on mobile communications, information processing and imaging. **Page 23**

Arrest rejected: An Italian appeal court rejected Milan magistrates' second request for the arrest of Marcello Dell'Utri, managing director of Publitalia, the advertising arm of the Fininvest media empire of prime minister Silvio Berlusconi.

British Steel, Europe's second-biggest steel maker, raised its dividend after half-year pre-tax profits surged from £27m to £159m – the company's best interim result since 1990-1991. **Page 19; Lex, Page 18**

Signing postponed: The Angolan government and Unita rebels have postponed signing a peace deal to end Angola's 20-year civil war. It was to have been signed in Lusaka, Zambia, today. **Page 4**

Doctors stop work: Médecins sans Frontières halted operations at Rwandan refugee camps in Bukavu, Zaire. The French medical aid agency said killers linked to the ousted Rwandan government had instigated a reign of terror.

Portugal offers asylum: Portugal offered asylum to 29 East Timorese students demonstrating in the grounds of the US embassy in Indonesia. Meanwhile Indonesian police arrested about 80 East Timorese in rioting in the territory. Indonesia invaded the former Portuguese colony in 1975.

English daily for Czechs: The Bohemia Daily Standard – the Czech Republic's first English-language daily newspaper – was launched yesterday to cater for English-speaking visitors and residents. **Observer, Page 16**

FA brings charges against Grobbelaar: Bruce Grobbelaar, the goalkeeper who plays for English soccer team Southampton, is to face Football Association charges over allegations that he took bribes to fix matches.

■ STOCK MARKET INDICES

FT-SE 100:	3,095.3	(+19.4)
Yield	4.12	
FT-SE Eurotrack 100	1,347.63	(+5.92)
FT-SE-A All-Share	1,537.31	(+0.5%)
Nikkei	19,261.45	(-22.91)
New York lunchtime:		
Dow Jones Ind Ave	3,824.01	(+22.54)
S&P Composite	464.74	(+2.39)

■ US LUNCHTIME RATES

Federal Funds:	5⅛%
3-mo Treas Bills: Yld	5.271%
Long Bond	93½
Yield	8.10%

■ LONDON MONEY

3-mo Interbank	6⅛%	(6 1/16%)
Liffe long gilt future:	Dec 101 23/32	(Dec101 11/32)

■ NORTH SEA OIL (Argus)

Brent 15-day (Jan)	$16.83	(16.91)

■ GOLD

New York Comex (Dec)	$386.3	(385.7)
London	$385.2	(385.45)

■ STERLING

New York lunchtime:		
$	1.5855	
London:		
$	1.5849	(1.5894)
DM	2.4491	(2.4439)
FFr	8.4242	(8.4054)
SFr	2.0575	(2.0484)
Y	155.994	(155.937)
£ Index	80.2	(80.3)

■ DOLLAR

New York lunchtime:		
DM	1.544	
FFr	5.3095	
SFr	1.297	
Y	98.25	
London:		
DM	1.5453	(1.528)
FFr	5.3153	(5.2555)
SFr	1.2982	(1.2808)
Y	98.425	(97.5)
$ Index	62.2	(61.7)
Tokyo close Y 98.09		

Norway steps up campaign for Yes vote on EU

Brundtland government seeks to quell fears over loss of independence

By Karen Fossli in Oslo and Hugh Carnegy in Stockholm

Norway's Labour government yesterday stepped up its campaign to win approval for joining the *European Union* in a *referendum* on November 28, after Sweden's vote in favour of membership on Sunday.

With Sweden and Finland now set to join the Union on January 1, the pro-EU camp is hoping to swing Norwegian opinion to a Yes vote with an appeal not to leave the country isolated. Until now, the opposition has held a strong lead in the opinion polls, reflecting deep-seated suspicions in Norway that membership will erode Oslo's independence and control over its rich oil and fish resources.

Mrs Gro Harlem Brundtland, prime minister, said: "Norwegians are well aware that Sweden is both our closest and most important neighbour. It's our main trading partner and that has implications for Norwegian jobs."

She underlined the belief on both sides of the campaign in Norway that the outcome will be *strongly influenced by the Swed*ish vote. "Many people waited until the Swedish vote was known before making up their minds, and many more are not *likely* to decide until the *last* week or even during the last days before the referendum," Mrs Brundtland said.

The prime minister will have an important platform this week to press home the Yes message as she hosts a regular meeting of her fellow Nordic prime minis*ters* in the northern city of Tromso. Among them, only she and the Icelandic prime minister will be a non-member, or non-member-elect.

Norway is the last to vote of the four European Free Trade Area applicants, which are aiming to expand the EU from 12 to 16 members. Austria voted heavily in favour last June.

Yesterday, the Swedish economy won an immediate benefit from the EU vote. Long-term interest rates, in recent months driven up to high levels partly because of uncertainty over the referendum outcome, fell significantly. The krona strengthened and the *Stockholm stock* exchange rose 2.3 per cent.

In Norway, the Yes campaign plans a big push in the final two weeks, arguing that EU membership will help to secure jobs at a time of high unemployment, warning that investment, production and jobs would be moved outside the country if it is rejected.

"It would be a nightmare for Norwegian companies should we decide to stay outside the

Continued on Page 18

Norway's trade surplus rises, Page 2

Oslo piles on pressure for EU entry, Page 3

Editorial Comment, Page 17

High political price to partnership, Page 17

Biggest of recent German healthcare deals

BASF buys Boots prescription drug arm for $1.4bn

By Daniel Green in London and Christopher Parkes in Frankfurt

BASF, the German chemicals manufacturer, took its biggest step yet into the pharmaceuticals industry yesterday by agreeing to pay "about £850m" ($1.4bn) for the prescription drugs arm of Boots, the UK retailer.

The proposed deal, still subject to detailed contract discussions, would be BASF's third in two months.

The pace of dealmaking indicates a determined – if belated – effort to improve the performance of Knoll, BASF's drugs division. Knoll has annual sales of only DM2bn and fell into loss last year, compared with Bayer's drugs business, which contributes about two thirds of group profits from annual sales of DM8bn ($5.3bn).

BASF said yesterday the rationale for the Boots acquisition *was "both therapeutic and geo*graphic". Boots is strong in the US, UK and Commonwealth countries while BASF has most of its business in continental Europe.

BASF also wants Boots' expertise in nervous-system drugs. Boots has licences to develop two such drugs, with projected launch dates at the end of the decade. Until then, BASF will have to make do with an old and small product portfolio.

In the first half of 1994, Boots achieved prescription drugs sales of £226m and pre-tax profits of £49.8m. Spending on research and development was £33m.

Most of Boots's prescription drug sales and profits come from Synthroid, a thyroid drug available only in the US. The drug had first-half sales of $117m – outside the world's top 100 best sellers. Synthroid, like all other significant Boots products, has no patent protection.

Lex ......Page 18

Boots drugs sale ......Page 28

Older drugs have been a central theme of BASF's deals recently. Last month it bought *rights to 80 out-of-patent generic* drugs from Hexal Pharma and signed a deal with Ivax, the second-biggest generics company in the US, to distribute drugs in Europe.

In global terms, the Boots deal is small. BASF's Pharma division has annual sales of DM2bn. With the Boots operation, BASF would move from about 40th biggest in the world in terms of drugs sales to about 30th.

The acquisition would nevertheless be the biggest of the recent forays into healthcare by German chemicals companies.

In March, Bayer spent $180m on a 28.3 per cent stake in Schein, a privately owned US group. That followed last year's $546m purchase by Hoechst of a 51 per cent stake in Copley Pharmaceuticals, another US company.

For Boots, the proposed deal ends months of speculation over Boots's intentions. The company put its prescription drugs business up for sale when adverse side-effects of its most promising drug, the heart treatment Manoplax, forced it in July 1993 to abandon its development.

Yesterday's decision commits the UK company to developing as a retailer, after it has spent most of its *140-year history trying* to combine healthcare with shopkeeping.

BASF beat several rivals to the deal, including a management buy-out team. Other companies that had been in talks with Boots included Zeneca and Medeva of the UK, but no agreement was reached on price.

Reuter

President Bill Clinton, in Indonesia for the Apec leaders conference, talks to Japanese prime minister Tomiichi Murayama during a walk in the garden of the US ambassador's residence in Jakarta yesterday

Clinton rallies support for deal on N Korea

By Peter Montagnon in Jakarta

US president Bill Clinton is using the Asia-Pacific Economic Co-operation forum to drum up support for his nuclear deal with North Korea.

Speaking after meetings with leaders from China, Japan, South Korea and Australia, he said the North Korean accord had been the most important topic of their discussions.

All had indicated support for the agreement, "which marks a historic step to freeze, and ultimately to end, the greatest security threat in this region".

Under the deal, Pyongyang has undertaken to abandon efforts to manufacture and stockpile nuclear weapons.

An explicit gesture of support for it would help to rebuild the credibility of US foreign policy after the landslide Republican victory in last week's mid-term elections, and would go some way to distract attention from the persistent intrusion of human rights issues into a summit that was supposed to be primarily devoted to trade policy.

It may also help to persuade North Korea to live up to its undertakings. The deal has proved controversial in the west because it will be difficult to police and enforce.

It will be five years before

Continued on Page 18

Observer, Page 17

Coalition in Dublin faces break-up

By John Murray Brown in Dublin and David Owen

The survival of Ireland's Fianna Fail-led coalition government was under increasing threat last night, throwing fresh doubt over the *future pace of the Northern* Ireland peace process.

As Mr John Major, the UK prime minister, was outlining proposals to bring Ulster's loyalist groups into the *talks* process in a speech at the Lord Mayor's banquet, Mr Albert Reynolds, his Irish counterpart, was preparing for today's parliamentary showdown with his Labour party partners.

The crisis, centred on Labour allegations of government mishandling of an extradition case involving a paedophile Roman Catholic priest, looks certain to end the 22-month coalition.

Mr Reynolds was in consulta*tion with his Fianna Fail minis*ters yesterday. If the crisis is unresolved and Mr Reynolds loses a vote of no confidence he could seek the permission of Mrs *Mary Robinson,* the Irish president, to dissolve parliament, and call early elections.

Alternatively, and some political observers believed this more likely yesterday, Mrs Robinson could ask the opposition parties

Continued on Page 18

TRW finds partner for telecoms venture

By Alan Cane in London

The race to establish the first global satellite system for mobile phones intensified yesterday as TRW, the large US-based aerospace manufacturer, announced an equity partner for its $2bn Odyssey project.

It said that Teleglobe, a Canadian provider of intercontinental telecommunications services, had agreed to take part in a joint venture designed to put the satellite system in orbit for the start of operations in 1998.

The aim is to build a network of communications satellites able to provide personal voice, fax and paging services to subscribers anywhere in the world. Customers will use a pocket telephone similar to existing cellular phones. The service is likely to find its greatest use in remote areas with little telecoms infrastructure.

The Odyssey project, planned for four years, will compete with several similar ventures. These include Iridium, in which the main partner is Motorola, the US electronics company; Globalstar, which is being developed by Loral, the US defence group; and a system planned by an affiliate of Inmarsat, which provides mobile communications services to maritime and aeronautical markets.

Iridium is expected to cost $3.4bn, while Globalstar will require an investment of $1.8bn.

To meet the estimated $2bn cost of Odyssey, $1bn is expected to be raised through debt. Of the rest, TRW, which had revenues of $7.9bn last year, is providing $100m and Teleglobe, with 1993 *revenues of C$1.4bn, $50m.* The balance is expected to be found from equity partners both strategic – such as telecoms operators – and financial.

Mr Charles Sirois, chairman and chief executive of Teleglobe, said yesterday that Odyssey would essentially operate as a wholesaler of personal telecoms capacity. It would market its services through local distributors which might be strategic partners in the venture.

He said Odyssey had advantages over competing systems. Odyssey's satellites would be in medium orbit – about 6,000 miles above the earth – enabling it to *cover the globe with only 12 sat*ellites. Iridium, which he saw as the most serious rival, required 66 small satellites in low orbit.

Mr Sirois thought calls over Odyssey would cost $1 a minute compared with an estimated $3 for Iridium.

TRW has applied to the US Federal Communications Commission for a licence to operate the Odyssey system. The FCC is expected to make its decision in early 1995.

Austria	Sch32	Greece	Dr350	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lw60.00	Iceland	IKr215	Neth	Fl 4.25	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira90	S. Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Estonia	EKr 20	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00
Finland	FM14	Kuwait	Fils625	Poland	Zl 38,000	Tunisia	Din1.500
France	FFr9.50	Lebanon	US$1.50	Portugal (mainland)		Turkey	L30000
Germany	DM3.60	Lux	LFr65		Es225	UAE	Dh12.00

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WEU pledge on Bosnian arms embargo

By Bruce Clark in Noordwijk, the Netherlands

European allies of the US pledged yesterday to maintain the arms embargo against Bosnia, despite Washington's abrupt withdrawal from the operation, which they almost unanimously regretted.

The nine full members of the Western European Union – a defence club which is emerging as the European pillar of Nato – also agreed on the need to solve the Bosnian war by peaceful means, including the efforts of the "contact group" of senior officials from five nations. The contact group, whose credibility has been battered in recent days, will meet in London on Thursday.

Several WEU countries deplored the US position on grounds that it implied support for a military solution in Bosnia. Turkey – an associate member of the WEU – was alone in voicing approval for President Bill Clinton's move last week, which took his allies by surprise.

The Bosnian issue dominated a meeting in this windswept Dutch seaside town of nine WEU nations and 15 other countries – nine of them ex-communist – which enjoy an associate or observer status.

Mr Willy Claes, the Belgian politician who has just taken over as secretary-general of Nato, will fly to the US this week with a warning that transatlantic differences could scupper any efforts by the west to provide security and stability for ex-communist countries.

"On both sides of the Atlantic, we must avoid decisions which can endanger solidarity," Mr Claes said.

Mr Claes added that Nato would continue to enforce the embargo against Bosnia because it had been mandated to do so by the United Nations. His implied criticism of the move, forced on the US president by Congress, marked one of the few occasions in Nato history when the holder of the top job in the alliance has censured Nato's most powerful member state.

The WEU gave broad approval yesterday to a Dutch paper on upgrading defence co-operation in Europe but lively discussion over Bosnia left less time than expected to discuss the proposal, which Britain has reservations over.

However, UK officials confirmed that they were softening their traditionally sceptical attitude to purely European security initiatives by cautiously approving a Franco-German move to set up a joint armaments agency, as long as it was open to all WEU members and efficiently managed.

■ Croatia yesterday threatened to intervene if Bihac, the north-western Moslem enclave, was in danger of falling to Serb forces, writes Laura Silber in Belgrade. At the same time, the Bosnian Serbs kept up their assault on Bihac. Serb forces have recovered 80 per cent of the land seized by Moslems during their two-week offensive there, the UN said.

Nato chief Willy Claes (left) talking to WEU secretary-general Wim van Eekelen at a meeting in Noorwijk, the Netherlands Reuter

Milosevic puts more pressure on the media

By Laura Silber in Belgrade

President Slobodan Milosevic of Serbia is threatening to ban the last independent newspaper in Belgrade, its editors said yesterday.

The move comes at a time when the Serbian economy appears in danger of collapse and the president is facing criticism within his own party and the country for his embargo against the Bosnian Serbs. But also it appears to reflect his renewed confidence after being courted by the international community as the man willing to make peace in Bosnia.

Last week, Mr Ivica Dacic, spokesman for Serbia's ruling socialists, criticised Borba, the independent Belgrade daily, as an "anti-stata" newspaper. Government lawyers invoked a legal technicality, saying the newspaper was not legally registered, and therefore, does not exist. Borba's editors dismissed this charge as "nonsense", printing their three-year-old registration petition.

Mr Branislav Milosevic, managing director of Borba, yesterday said the Serbian president had a "*carte blanche* to do whatever he likes in Serbia after being hired as a peacemaker".

Since imposing a political and economic embargo on the Bosnian Serbs three months ago, the Serbian president has sacked tha editor of Politika television. The Politika daily newspaper, once the flagship of Serbian journalism, has become a government mouthpiece. Studio B, the financially strapped independent broadcaster, is also threatened by a government-orchastrated takeover.

No relation to the president, Mr Milosevic of Borba says the move may be a pre-emptive strike against potential dissent in Serbia. Economic deprivations have risen. The Yugoslav dinar, stable for nearly a year, is crumbling. Despite severe penalties, a black market has re-emarged. Electricity has been restricted and shortages of staple foods are frequent.

Mr Milosevic may also come under increasing pressure to review his policy on the Bosnian Serbs if they continue to suffer military setbacks.

EUROPEAN NEWS DIGEST

French funding probe widens

The third French government minister to resign in recent weeks amid allegations of corruption was formally placed under investigation by the French authorities yesterday. Mr Michel Roussin, the co-operation minister who resigned over the weekend, was questioned yesterday afternoon for two hours by Mr Eric Halphen, investigating magistrate in Créteil outside Paris.

The minister, who has since been replaced in the French cabinet by Mr Bernard Debré, is under investigation for alleged improper receipt of corporate funds in connection with the funding of the Gaullist RPR. He denies any wrongdoing.

Meanwhile, further allegations of the links between French companies and political parties emerged yesterday with a report in Le Monde connecting Alcatel Alsthom, the telecommunications group, with the Republican party, which is a member of Mr Valéry Giscard d'Estaing'a Union for French Democracy (UDF), which governs in coalition with the RPR. Shares dipped temporarily on the Paris bourse after Le Monde carried an article suggesting that one of the company's subsidiaries had paid FFr3.2m (£380m) to the Republican party to support its 1988 political campaign. The article claimed the money was paid into a bank account in Luxembourg controlled by a Panamanian company used as a slush fund for the Republican party and created by Mr Alain Crellier, now managing director of Nomura Bank in Paris and an associate of Mr Gérard Longuet, the former industry minister forced to resign over Republican party funding investigations. Alcatel Alsthom refused to comment yesterday. Mr Crellier said "I have nothing to say. I am talking to my lawyers." *Andrew Jack, Paris*

Patronat chooses new leader

Mr Jean Gandois, the former head of Pechiney, the state-owned aluminium and packaging group, is set to become the next president of the Patronat, the French employers' federation, after winning a clear majority in a vote by the organisation's executive council. Mr Jean-Louis Giral, the other candidate in the contest, said he would withdraw following his 25-10 defeat in yesterday's poll. Mr Gandois should now be confirmed as the next head of the Patronat at a meeting of the organisation's 536-member general assembly which is scheduled for December 13. The contest has been one of the most fiercely fought of recent years. Mr Gandois, a pro-European, has said ha wants to revitalise the organisation and give it a stronger voice in the debate over political and social reforms. Mr Giral, head of the family-run building contractor Dèsquenne et Giral, was regarded as the champion of small and medium-sized industry. He is close to Mr Jacques Chirac, the Gaullist candidata for next spring's presidential elections. *John Ridding, Paris*

Italian coalition to back vote

Italy's right-wing coalition government last night looked set to remain together in voting on a self-imposed confidence motion on part of the 1995 budget. The confidence motion had been introduced in the chamber of deputies where the coalition has a majority of 120 to ensure that the populist Northern League of Mr Umberto Bossi did not defect from the government's ranks. But as the debate began, a League spokesman told the chamber his party would back its partners even though it disliked the imposition of the confidence motion. The government's move related to the introduction of a pardon on buildings built without proper planning permission. The pardon is expected to lead to a huge influx of new property registration fees to the tune of L7,000bn ($4.5bn). But members of the government coalition, mostly the League, proposed almost 200 amendments. The opposition also proposed others to limit the scope and prevent a blanket approval for illicit construction over the past five years. Government business managers argued that only by a confidence motion could discussion be speeded up. *Robert Graham, Rome*

Hungarian growth speeds up

A rapid growth in exports and high investment is pushing the Hungarian economy towards an unexpectedly high 4 per cent growth in gross domestic product this year. But sustainable growth will remain elusive unless the government cuts spending and tightens fiscal policy, Mr Peter Akos Bod, governor of Hungary's independent central bank, said yesterday. Addressing an FT conference on Investing in Hungary, Mr Bod said industrial output was now growing at 7 per cent annually while construction was booming, with 15 per cent growth. After two years of drought-stricken harvests and a disruptive transition to private land ownership, agricultural output, which usually accounts for one third of total exports, is also expected to rise by 5 per cent this year. The growth is export and investment led, Mr Bod said. Recovery in the German and other EU markets is the main force behind an expected 18 to 20 per cent rise in export volumes this year. This is helping to balance a similar growth in imports of machinery and components. *Virginia Marsh and Anthony Robinson, Budapest*

Lower Saxony N-waste accord

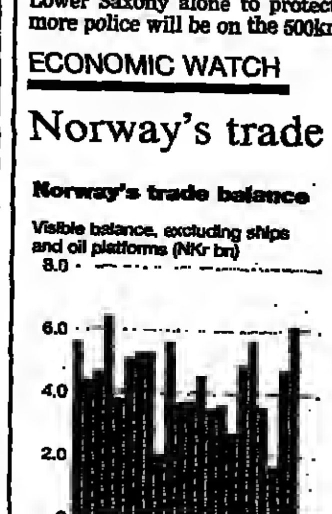
The German state of Lower Saxony, bowing to pressure from the federal government, has approved the first shipment of nuclear waste to a medium-term storage facility in the northern city of Gorleben. The federal environment minister, Mr Klaus Töpfer, forced the state's hand with an administrative order. The Lower Saxony environment minister, Mrs Monika Griefahn, said her approval was conditional on removal of the waste within seven years and insisted that the facility should pose no health risks for people who live in the area. She also said waste storage facilities should be built up at nuclear reactors themselves, and that Gorleben would accept no nuclear waste that had been reprocessed outside Germany. The first shipment of waste, from a reactor in southern Germany, could take place on November 24. The transport is likely to involve one of the largest police actions in post-war German history. An estimated 4,500 police will be deployed in Lower Saxony alone to protect the shipment, and thousands more police will be on the 500km route. *Reuter, Hanover*

ECONOMIC WATCH

Norway's trade surplus rises

Norway's trade balance

Visible balance, excluding ships and oil platforms (NKr bn)



Source: Datastream

Norway's trade surplus in October rose to NKr6.143bn (£600m) compared with NKr5.523bn in the same month a year earlier, said Statistics Norway, the official statistical agancy. The increase was largely due to a surge in exports of goods such as fish, fish products and metals, said the agency. Total exports, which include Norway's substantial oil and gas exports, rose by 16 per cent in October to NKr22.888bn compared with NKr19.757bn for the month a year earlier. Total imports in October rose 18 per cent from a year earlier, with the largest increases seen in cars, metals, timber and machinery, said the agency. *Reuter, Oslo*

■ Portuguese consumer prices rose 0.4 per cent in October after a 0.2 per cent increase in September, to put year-on-year inflation at 4.5 per cent, down from 4.7 per cent previously, the National Statistics Institute said. Average annual inflation was 5.6 per cent in October compared with a 5.8 per cent average recorded in September.

■ The Bank of Spain has forecast growth in gross domestic product of more than 2.0 per cent in the third quarter of 1994 compared with the same period a year earlier. The bank said in its quarterly economic report that growth was fuelled by a recovery in domestic demand.

NEWS: EUROPE

Kohl lays out plans for next four years

By Michael Lindemann in Bonn

Chancellor Helmut Kohl yesterday unveiled his programme for the next four years in government. The document outlines measures to combat unemployment while keeping a tight control on government expenditure.

After almost three weeks of negotiation between his Christian Democratic Union, its more conservativa Bavarian sister party, the Christian Social Union, and the liberal Free Democratic party (FDP), the government has pledged to reduce the federal bureaucracy by at least 1 per cent a year – around 13,000 jobs – and to do all it can to increase privatisation at state and municipal level.

Efforts will also be made to reduce the proportion of gross national product consumed by government spending from 51 per cent to 46 per cent, where it was before German reunification in 1989.

Laws to combat crime would be updated and efforts made to introduce Europe-wide measures.

Mr Rudolf Scharping, leader of the opposition Social Democratic party, said the programme agreed by the three parties had avoided discussion of all important issues. It was a "coalition of weakness", he said.

He said the new laws for foreigners – the one subject on which the coalition had been specific – amounted to a "political and legal nothing". They would give third-generation immigrant children dnal nationality until 18 and then offer them full citizenship if they give up their foreign passport. The Inter-Cultural Council in Germany said: "This attempt, allegedly to maka integration of foreigners easier, will do nothing to change the fact that 7m foreigners live in this country with diminished rights."

The new cabinet is expected to contain 16 ministers, two fewer following fusion of the education and science ministries and the ministries for family and women. No important changes are expected, but Mr Kohl would not name his new team until he has been confirmed as chancellor in a Bundestag vote today.

The FDP, which has been under pressure to cede ministries following its poor election result, will hold on to the foreign, economics and justice ministries. It remained unclear whether Mr Günter Rexrodt, FDP economics minister, would keep his job or have to give way to forces within the party who want him out.

Feverish speculation continued yesterday about whether Mr Kohl would be re-elected as chancellor, given that he can only afford to give away four votes without losing the absolute majority. To avoid any last-minute mishaps all Bundastag deputies were told to report to Bonn last night.

Mr Otto Lambsdorff, honorary chairman of the FDP, who is touring the US, has booked himself on three aircraft, including Concorde, to make absolntely sure he makes it back in time, according to Bild Zeitung, Germany's best-selling newspaper.

Finance minister Theo Waigel (centre) reaches for the water bottle held by Chancellor Helmnt Kohl at yesterday's news conference in Bonn *Reuter*

Industry hails Swedish vote on EU entry

By Christopher Brown-Humes in Stockholm

Tha Swedish krona rose sharply yesterday in response to Sunday's referendum vote backing entry to the European Union. But though the increase might have damaged the earnings prospects of the country's big export-oriented multinationals, business leaders did not mind in the least.

The clear endorsement of EU membership was exactly what they wanted – even though a weaker currency might have benefited them in the short term. "It is the long term which is important," said Mr Sören Gyll, chief executive of Volvo, Sweden's biggest industrial group. Mr Magnus Lemmel, head of the Federation of Swedish Industries, said: "We can now begin our way back to our lost position at the top of the world's industrial countries."

Sweden's current economic recovery, after three years of recession, has been driven by the success of its exporters. It was not surprising, therefore, that the importance of EU membership for its big companies was highlighted repeatedly during the referendum campaign.

The bosses of the country's multinationals stressed that they had to be able to operate under the same conditions as their competitors, as well as to influence the outcome of decisions affecting the business climate in Europe – by far their largest market.

"Sweden's entire wellbeing stands or falls on its nearness to its markets, in particular to Europe," said Mr Leif Johansson, president of Electrolux, the world's biggest manufacturer of household appliances.

Membership was particularly important for the pulp and paper sector, Sweden's largest net export earning industry. Ever since Finland voted last month in favour of EU entry, Swedish forestry executives were worried they would lose out to their main European competitor if they were left outside the Union.

Equally, they wanted to be able to influence directives coming out of Brussels, particularly where – as in the case of waste paper recycling – there is a direct impact on the amount of Swedish virgin fibre going into the paper system.

A further reason for business to back membership was the belief that EU monetary convergence criteria would force the government to be more disciplined in reducing the country's large budget deficit and fast-growing debt. They believe tougher government action will bring down interest rates, stimulating investment and creating jobs.

Yesterday brought a glimpse of this brightar future. Long-term interest rates fell sharply, with the yield on the five-year benchmark bond dropping 19 basis points to 10.35. The stock market also celebrated, rising 2.34 per cent.

A climate of greater investor confidence in Sweden should bring both increased domestic investment and a spurt in much-needed foreign investment in the country.

Chirac's referendum call countered

By David Buchan in Paris

France should hold a referendum on any treaty changes resulting from the European Union's planned 1996 constitutional conference, rather than on the final move to economic and monetary union already enshrined in the Maastricht pact, Mr Alain Lamassoure, EU affairs minister, said yesterday.

He was reacting to the call with which Mr Jacques Chirac recently opened his presidential campaign for France to hold a second referendum on adopting a single currency, in addition to its 1992 plebiscite approving Maastricht.

The issue of a single currency "is already settled", Mr Lamassoure told French radio. But Mr Chirac's Emu referendum call, clearly designed to give fresh hope to the anti-Maastricht camp unreconciled to its narrow defeat two years ago, unsettled the financial markets and called down criticism from the Balladur government's more pro-European ministers on Mr Chirac's head.

Mr Lamassoure's remarks were carefully co-ordinated with Mr Alain Juppé, the foreign minister who is also Mr Chirac's main backer within the government and who on Saturday succeeded him as interim president of the Gaullist RPR party. Their initiative is designed to get the French government off the hook on which Mr Chirac's Emu referendum idea threatened to impale it as well as himself.

Domestic elections will make France's presidency of the EU in the first half of next year hard enough without France appearing to cast doubt on its existing Maastricht commitment through the mouth of Mr Chirac. But, said Mr Lamassoure, the challenge of enlarging the EU to the east, as wall as improving its foreign and defence policy co-ordination, would almost certainly give rise to institutional changes in 1996 meriting a referendum.

Mr Lamassoure fully acknowledged yesterday that the French presidential campaign "unquestionably poses us a problem" in the smooth chairing of Union business. France will begin its EU presidency under one president and finish it under another. Another certainty is a new government after the May 7 election.

This means that June 1995 – which would otherwise be the busiest month of the France's EU presidency as it scrambles to chalk up new directives to its credit – will see new French faces chairing most or all of the various Union councils.

Meanwhile, Mr Jacques Delors, outgoing European Commission president, yesterday appeared to reduce by a month the suspense over whether he will run as Socialist candidate for the presidency. He said on radio that if he decided not to run, he would say so "before Christmas", to give the Socialists time to find another champion. It seems, therefore, that the nearer his silence is maintained to January 25 – the new likely date for installation of the new Commission – the likelier it is that he will run.

Brussels reports stronger recovery

By Peter Norman, Economics Editor

Economic recovary in the European Union is gathering in strength as confidence grows in the industrial and construction sectors and among consumers, the European Commission reported yesterday.

The preliminary results of its business and consumer survey for October disclosed a sharp improvement in industrial confidence last month and a recovery in capacity utilisation in manufacturing industry to the average of the past 11 years.

The Commission said its October survey showed that capacity utilisation, which is measured every three months, jumped to 81.5 per cent among manufacturers in the 12 member states, from 80.4 per cent in July. Utilisation was up 4.1 percentage-points from the 77.4 per cent level of October 1993 and half way between the most recent 77.2 per cent low of July last year and the most recent high of 85.8 per cent registered in the late 1980s.

Britain, according to Commission estimates, had the highest level of capacity utilisation at 85.3 per cent and was narrowly ahead of the Netherlands and France. Ireland and Spain had the lowest levels of capacity use in the EU.

However, the improvement in manufacturing activity will not lead to higher employment in the EU. Only in Denmark did the number of manufacturers saying they expected to boost employment exceed those expecting to shed labour.

The survey revealed that the EU's industrial confidence indicator, which is compiled from business peoples' replies on a number of issues such as order books and selling price expectations, improved to plus three in October from zero in September and minus 14 in the first quarter of this year. This indicator is now close to the recent high of plua six recorded between 1988 and 1990 and well above the minus 28 level registered in the recession between 1991 and 1993.

The index of consumer confidence, which collates the views of households about their financial situation, the general economic situation and their inclination to make large purchases was less buoyant. It registered minus 10 last month for the EU as a whole, although this was an improvement on September's level of minus 12 and the 1991-93 low of minus 26. The highest level reached by the EU's consumer confidence indicator between 1988 and 1990 was minus three.

Costs may be underestimated

Berlusconi faces huge aid bill for flood damage

By Robert Graham in Rome

The Berlusconi government is searching for ways to find some L7,000bn ($4.6bn) in additional aid to cover the damage caused by last week's catastrophic flooding in northern Italy.

As an immediate response, the right-wing coalition pledged L3,000bn drawn from existing funds. But the final assessment of flood damage in Piedmont is expected this week and initial estimates of more than L10,000bn worth of damage could prove conservative.

With very limited personal and corporate insurance cover, especially in the agricultural sector, among the worst affected, individuals, companies and local authorities are looking to the government for financial help.

Mr Roberto Maroni, the interior minister who has taken charge of the relief operation, has done nothing to dispel the impression that the government will foot the bill. Indeed, the government seems more than ready to do this to offset growing criticism over the authorities' handling of tha disaster.

The cost of previous disasters, such as the 1980 Irpinia earthquake in southern Italy, were financed by increasing taxes on petrol or tobacco. But this could prove inflationary and the government may well opt to issue a special bond or introduce a once-off income tax payment.

More than 700 towns and villages were hit by the floods which began on November 5 in the tributaries of the River Po. Many are still without fresh water supplies although minimal road communications have been restored throughout Piedmont. This has enabled about half of the 10,000 peopla displaced by the floods to return to their homes.

As the clearing-up operation continues, attention has shifted to establishing how the authorities were caught seemingly unawares by the floods. Magistrates in Turin, Alessandria and Asti have opened separate investigations; and Mr Mario Palmieri, the prefect of Asti, is being investigated for culpable homicide for his failure to prevent death from the floods.

At the same time magistrates are looking into the activities and management of Italy's civil protection agency, which is in charge of preventing natural disasters.

The magistrates are trying in particular to establish why a fax sent at 16.30 on Thursday November 3 from the Piedmont service for the prevention of environmental risks was ignored. This fax was marked urgent, warned that exceptionally heavy rainfall was forecast for Saturday November 5 and accurately identified the areas at risk.

The warning was sent to the regional authorities, but was either ignored or played down. In one instance it was buried under a pile of letters for five days. It is even more remarkable that in spite of the fact that the floods took more than 24 hours to reach populated centres such as Asti and Alessandria, none of tha big towns were properly prepared.

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Baghdad's recognition of Kuwait ignored

UN set to maintain sanctions against Iraq

By Michael Littlejohns at the UN in New York

The UN Security Council agreed last night to maintain sanctions against Iraq, ignoring Baghdad's formal recognition of Kuwaiti sovereignty and the UN-demarcated common border.

The decision to recognise Kuwait by the revolutionary Command Council was conveyed personally by Mr Tariq Aziz, the deputy prime minister, to Ms Madeleine Albright, US delegate and current Security Council president, before the council held its regular 60-day sanctions review.

She and other members said afterwards that the Iraqi move was not even discussed during the review. The Security Council scheduled a second private meeting to consider how to deal with the developments. In the meantime sanctions will remain in place at least until January 14, the date for the next review, and probably well into 1995 or even longer, officials said.

The US bolstered its case against the relaxation of sanctions by presenting satellite photographs of lavish building projects, including a retreat for President Saddam Hussein on a 90-acre man-made lake, estimated to have cost $1.2bn.

Sir David Hannay, UK delegate to the Security Council, called the evidence "quite startling" and insisted that if the Iraqi people were suffering as a result of the embargo, Mr Saddam's obduracy was to blame and not the council.

No member dissected from the decision to leave matters unchanged. Russia and France, partly out of financial self-interest, had previously pressed the council to acknowledge formally that Baghdad had carried out some of its obligations and made steps that could lead to an end to the embargo.

In a statement to the council which was made public afterwards, Ms Albright said the US did not even accept the recognition of Kuwaiti sovereignty "at face value".

Referring to the high living standards of top Iraqis, she said Mr Saddam had spent at least $500m on opulent new palaces for himself and his family who continued to "enjoy uninterrupted supplies of ice cream, cigarettes, liquor and other imported luxuries."

Mr Tariq Aziz, Iraqi deputy prime minister and foreign minister (right), with Iraq's ambassador to the UN, Mr Nizar Hamdoon, outside the UN headquarters in New York last night *Reuter*

In Angola, a ceasefire may not mean peace

Nicholas Shaxson looks at the economic implications of an imminent second end to the war

On a hillside overlooking Luanda's docks, bands of children trawl through rubbish bins near a large, partly finished building, now overgrown.

The children are refugees from a civil war which erupted again after a short peace when Unita rebels rejected defeat in UN-sponsored elections in late 1992 and returned to war.

The building was started by a Portuguese company as foreign investment flowed into oil- and diamond-rich Angola after peace accords in 1991. It was abandoned when the peace turned sour.

Negotiators in Lusaka, the Zambian capital, have initialled another peace agreement which was due to be signed today. The formal signing has been delayed to November 20, a UN statement said last night.

About 100,000 civilians have been killed in Angola since the country's civil war resumed two years ago, Human Rights Watch said in a report due for publication today, Reuter reports from Lisbon.

The New York-based organisation said both sides had been guilty of torture, summary executions and the recruitment of child soldiers. It urged the United Nations to enforce an arms embargo against the two sides.

The report, released on the same day as the Angolan government and the rebel movement Unita had been due to sign a new peace agreement, also demanded that the UN deploy human rights monitors throughout the country.

The report, entitled "Angola: Arms Trade and Violations of the Law since the 1992 Elections", said the Angolan government had become the biggest arms importer in sub-Saharan Africa, buying more than $3.5bn of military equipment over the past two years. "The government is believed to have mortgaged the next seven years of oil production to finance this huge build-up of weaponry," it said.

The agreement had been intended to stop the fighting but foreigners and Angolans alike had become more cautious about the country's prospects. "A lot of money flowed recklessly into Angola last time," one economist said. "People will be careful now."

The civil war, which erupted on independence from Portugal in 1975, has carved Angola into a patchwork of government and rebel control with towns and cities cut off from one another by fighting and landmines.

More than a third of Angola's 10.5m people depend on a humanitarian aid operation costing $250m a year, the main burden of which has been left to foreign organisations while the government has got on with its war.

An economic programme launched in March set out to reduce state control of the economy.

Central to the plan was the aim to end official exchange rates previously used to subsidise selected sectors of the economy.

Mr Severim de Morais, vice minister of planning and economic co-ordination, said last month Angola would have a fully floating exchange rate by the end of the year.

The programme had early successes in reining in spending and reducing annual inflation from 1,800 per cent in January to 930 per cent in July, according to official figures. But Luanda's elite successfully derailed a similar programme last year.

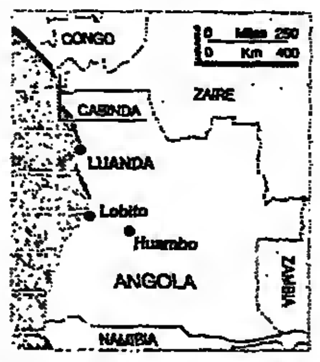
The new economic team has failed to get the political support needed to curb spending and bring the budget deficit, last year officially estimated at 29 per cent of gross domestic product, near the programme's target of 4 per cent.

The free market exchange rate rose rapidly from around 280,000 kwanza to the dollar in mid-September to 640,000 by mid-October, as dollars became scarce because of demand from the secretive defence sector. Monthly inflation rose from 7 per cent in June to 23 per cent in August and public sector strikes broke out as salaried workers saw their real wages plummet.

The volatile kwanza strengthened to 350,000 in mid-month amid signs of an approaching peace agreement, with some business people saying they expected a rush of new lending to Angola which would temper the dollar's scarcity.

But little new money has come in to date. Official requests for IMF support have so far been met with polite refusal. Financial institutions are cautious about lending to a country with an external debt approaching $11bn and one collapsed peace agreement behind it.

The disaster of the last accords stirred up new mistrust. Early disarmament and large cuts in defence spending are unlikely as long as there is any chance that war will erupt again.



If peace holds, foreigners seeking to invest in Angola's non-mineral economy stand to be frustrated not just by continued political uncertainty but also by bureaucracy, an under-educated workforce and confused property laws.

But three sectors of the official economy could grow if a ceasefire holds.

First, despite an estimated 10m to 20m landmines scattered across the country, refugees could return to their fields in many parts of the country and April's harvests could increase sharply from an estimated 250,000 tonnes this year.

Long-term agricultural potential is large: before independence Angola exported food and was the world's fourth largest coffee producer.

Second, if a peace agreement were to hold and Unita, which has been funding its war effort mostly with diamond sales, were persuaded to co-operate in the anarchic north-eastern diamond areas, the government could raise official production from $2m last year closer to the $250m reckoned to have leaked out from the Unita areas.

Third, Angola's mostly offshore oil industry has largely been unaffected by fighting. Oil production is expected to rise gently from around 550,000 barrels a day to 700,000 in 1996, as new fields come on stream.

But Pedro Manuel, an Angolan businessman, echoed a widely held caution about his country's prospects. "There is so much hatred after what happened last time. A ceasefire may happen but that is not the same as peace."

INTERNATIONAL NEWS DIGEST

Bandaranaike named as PM

Mrs Chandrika Kumaratunga, Sri Lanka's new president, yesterday appointed her mother to a third term as prime minister, but made few other changes in the cabinet for the sake of continuity. Mrs Kumaratunga, who won a sweeping victory in last week's presidential polls, swore in the elderly Mrs Sirima Bandaranaike along with other cabinet ministers, keeping alive a family tradition of ruling the island nation. Mrs Bandaranaike, 78, was the world's first woman to head a national government when she became Sri Lanka's prime minister after her husband Solomon Bandaranaike was assassinated in 1959. She served two terms as prime minister in the 1960s and 1970s and was leader of the Sri Lanka Freedom party formed by her assassinated husband.

Mrs Kumaratunga kept the finance portfolio and took over the defence ministry, a portfolio which under the constitution resides with the executive president along with the post of commander-in-chief of the armed forces.

Political analysts said Mrs Kumaratunga's decision to nominate her mother as prime minister would enable them to swap roles easily after the new government met its election pledge to make the presidency a ceremonial position. *Reuter, Colombo*

Bhutto offers peace to rivals

Pakistani Prime Minister Benazir Bhutto yesterday offered to make peace with her political opponents after the opposition tried to shout down President Farooq Leghari (pictured left) during the opening of parliament. Mr Leghari's 45-minute speech to an annual joint session of the two-chamber parliament in Islamabad was barely audible amid the non-stop chants of "Go Leghari, go". Excited deputies pushed, shoved and hurled insults at one another as members of Ms Bhutto's Pakistan People's party (PPP) formed a protective phalanx around her. PPP deputies lined up on the speaker's dais to keep their banner-waving opponents at bay. Bhutto supporters later punched two opposition deputies and witnesses said one of them was bleeding from the mouth.

"We have always extended the hand of friendship to them," Ms Bhutto told reporters later when asked about the chances of a dialogue with opposition parties. "Even now the government is willing to talk to them on issues of national interest," she said. The incident followed the arrest on Sunday of Mr Mohammed Sharif, the father of opposition leader Mr Nawaz Sharif, on charges of obtaining loans fraudulently from foreign banks. *Reuter, Islamabad*

Hunger worsening in Africa

Hunger and malnutrition are growing in eastern Africa and the continent needs exceptional aid, according to a report to be presented to a council meeting of the United Nations Food and Agriculture Organisation (FAO) today. Mr Jacques Diouf, who promised to make Africa his priority when elected head of the UN's main food agency last year, will detail a worsening hunger situation when he opens the meeting. "Fifteen countries in the region are currently facing exceptional food emergencies and half of these countries are also being affected by civil strife," the report said. Rwanda and Burundi were listed as being extreme cases, and in need of continued international aid and "extreme agricultural rehabilitation".

The report also said famine conditions were emerging in several parts of the Horn of Africa including Ethiopia, Eritrea, Kenya, Somalia and Sudan.

Mr Diouf, a Senegalese who is the FAO's first African director-general, will address a 49-nation governing council, which is meeting for 10 days to discuss and vote on a range of agency business. *Reuter, Rome*

Switzerland to aid Kyrgyzstan

Switzerland said yesterday it would provide technical and financial aid to the former Soviet republic of Kyrgyzstan under a new co-operation agreement. A finance ministry spokesman said Swiss President Otto Stich (pictured left) and Mr Askar Akayev, his Kyrgyz counterpart, who arrived with a delegation in Switzerland for a three-day official visit, signed the deal in the capital Berne. Switzerland will provide SFr4m (£1.95m) of technical aid a year, covering agriculture, forestry, the dairy industry, privatisation, and help to non-governmental organisations. It will also provide financial assistance for energy and health-care projects. The two countries have had links since Switzerland joined the International Monetary Fund and World Bank in May 1992. Kyrgyzstan was one of several former Soviet republics which joined Poland in a group that then let Switzerland represent it on the IMF's executive board. *Reuter, Berne*

China to overhaul social security

By Tony Walker in Beijing

China plans sweeping reforms of its welfare system to provide a social security net for urban employees, many of whose jobs are under threat in ailing state enterprises.

The official Xinhua news agency yesterday reported that next year "top priority" would be given to building a better insurance system for unemployment, pensions and medical care.

China's plans to overhaul its existing rudimentary social security system reflects growing concern about the effects of changes that have all but wiped out the previous cradle-to-grave welfare arrangements based on individual work units.

Municipalities such as Shanghai have been experimenting with new social security measures for the past year or so, but Beijing has clearly decided that political pressures oblige it to overhaul its existing schemes.

Plans to construct a comprehensive social security net for China's approximately 100m urban workers come in responsa to strong pressures from incraasing numbers of unemployed and under-employed workers.

China's official urban unemployment stands at 2.6 per cent, but this figure vastly understates the problem. Numbers of jobless in some industrial cities may be as high as 20 per cent of the workforce.

Under the proposed new scheme all enterprises, including state-owned, collective, joint venture and private ones, will have to take out unemployment insurance at a cost of 1 per cent of pay-roll. This money will be paid into a nationally administered fund.

The government is also planning to establish new superannuation and medical care arrangements for pensioners. This move reflects official concern over the fate of many pensioners buffeted by rising prices.

The authorities also announced they would set up a special insurance fund for people laid off from bankrupt enterprises and enterprises undergoing reorganisation.

Beijing has made reform of its state enterprises, including liquidation of the worst cases, its main priority, but has hesitated to implement its plans because of fears of worker unrest.

The establishment of a new system is an attempt to put in place social security arrangements for the long term. But China faces technical difficulties establishing such comprehensive schemes. New welfare arrangements are expected to be a drain on the budget as China proceeds with a painful rationalisation of its state sector where an estimated 50 per cent of enterprises are losing money.

● China has completed a draft law to cover safety in its nuclear power industry and expects the legislation to be ratified soon by its parliament, the National People's Congress, the official People's Daily said yesterday, Reuter adds from Beijing.

The Nuclear Safety Department, responsible for drafting the law, has already announced 16 regulations governing nuclear safety and issued 60 documents to serve as guidelines for nuclear safety, the newspaper said. Nineteen more regulations on nuclear safety are still being drafted. "This will enable administration of our nuclear safety to come on track through a law," the newspaper said.

China's fledgling nuclear industry has never reported an accident or polluted the environment, it said. China plans to have 10,000 MW of nuclear generating capacity operational or under construction by the year 2001.

Taiwanese vote to settle their island's identity

Laura Tyson reports on divisions over whether Taiwan will seek to be a Chinese province or a sovereign state

Taiwanese voters will cast a ballot for the island's identity as much as for cleaner streets in local elections early next month.

The long-ruling Nationalist party, or Kuomintang (KMT), is marshalling all the considerable forces at its disposal to maintain control of the two biggest cities and a governorship on the island it officially calls a province of China – the Republic of China, that is, not the People's Republic of China.

The KMT, which retreated to Taiwan in 1949 after defeat at the hands of Mao Zedong's communist armies, now faces a formidable challenge to its political survival in the shape of the Democratic Progressive party, which advocates an independent Taiwan. It also suffered from attrition when disaffected conservative KMT members broke away to form the New Party last year.

Ironically, old foes have become allies as the Nationalists have been aided in their electoral campaign by Chinese officials, who have in recent days reiterated Beijing's longstanding threat to use force against Taiwan should circumstances warrant. President Jiang Zemin yesterday reportedly told US President Bill Clinton at the Asia-Pacific Economic Co-operation forum in Jakarta that if Taiwanese authorities declare independence, China would certainly not stand by and do nothing.

Next month's polls represent the penultimate stage in a process of democratisation which began in the mid-1980s, marked by successive elections starting from the lowest levels of government and culminating in direct presidential elections in early 1996.

In the December 3 elections voters will for the first time choose mayors for the cities of Taipei and Kaohsiung, where about a quarter of Taiwan's 21m residents live, and a governor for Taiwan province, comprised of territory other than the two cities and a few outlying islands. The posts were previously appointed.

Should a DPP candidate win, it would be the first time the leading opposition party would have captured a significant administrative post. The KMT accuses the DPP of being irresponsible and incapable of governing, while the DPP says the ruling party is irredeemably corrupt and inefficient.

The Taipei mayoral seat is widely expected to go to Mr Chen Shui-bian, a popular DPP lawmaker in Taiwan's Legislative Yuan, or parliament. Mr Wu Dun-yih, the KMT incumbent, is seen likely to retain the mayorship of Kaohsiung.

But it is the symbolically significant post of provincial governor which is especially critical to the KMT, and it has spared no expense in drawing on its vast financial resources to ensure victory for the incumbent candidate, Mr James Soong. Mr Soong is one of the few remaining top Taiwanese politicians to have been born in mainland China, the others having been shunted out of the KMT's mainstream faction in recent years.

The KMT cannot afford to lose the provincial governorship poll because it is seen as referendum on the identity of Taiwan and future of relations with China. The KMT says Taiwan is a province of China and supports eventual reunification with China under condition of peace and democracy on both sides of Taiwan Strait. The DPP says Taiwan is not a Chinese province but an independent nation and thus the entire provincial government structure is redundant and should be abolished.

The KMT also fears that if the DPP wins control of the provincial government, which administers three-quarters of the island's territory and population, something analogous to the "Yeltsin effect" could materialise, at least in theory – a reference to how the power of the head of the Russian republic eclipsed that of the leader of the former Soviet Union.

Political analysts say that a win by the DPP's candidate, Mr Chen Ting-nan, would pose an indirect threat to the legitimacy of the president himself, as he was in effect installed by a rubber-stamp parliament rather than popular mandate.

In practice, President Lee Teng-hui enjoys enormous popular support, even among many DPP members, because he is a native Taiwanese and it is widely believed that he secretly favours the island's independence. As the polling day draws nearer, the KMT will likely play the "president card", in the parlance of the local media, and bring Mr Lee on an extensive tour of the island to win votes. The same strategy helped carry the KMT to victory in island-wide polls year ago which the DPP was predicted to win.

Junichiro Koizumi: recipe for dramatic change Reuter

Bold campaigner for reform in Japan

Michiyo Nakamoto on a call for privatisation of the country's postal ministry

In Japan's much touted drive to reform its bloated bureaucracy, one force that has been woefully absent is clear leadership from the country's politicians.

In spite of all the talk by the authorities, the pace of reform to date has been slow and the steps taken or being proposed have been half-hearted and superficial.

As Japanese industry, and the US government, become more vocal in pressing for further deregulation, Mr Junichiro Koizumi, an eighth-term member of the House of Representatives and former minister of posts and telecommunications, has emerged as a rare politician with a recipe for dramatic change.

The soft-spoken Mr Koizumi has ruffled many feathers in the Japanese political and bureaucratic community by calling for the break-up of the postal ministry as the key to reducing the role of government in the country's affairs.

"The best way to tackle the issue of administrative reform is to privatise the activities of the postal ministry," Mr Koizumi declares.

"The aim of administrative and fiscal reform is small government. I believe that means that what private business can do should be left to the private sector and the government's role should be restricted to a small number of essential functions."

In that respect the postal ministry is clearly a leading candidate for reform because so many of its businesses are easily transferred to the private sector, Mr Koizumi says.

Japan's ministry of posts and telecommunications, apart from being responsible for delivering the nation's mail, runs the largest savings system and the largest insurance company in the world. Deposits in its postal savings accounts as of March, 1994 amounted to Y183,535bn (£74.28bn) while the assets of the postal insurance fund totalled Y74,345bn.

The postal ministry thus competes not only with private delivery services but with private banks and insurance companies as well. Putting the postal ministry's businesses into private hands would reduce the role of government in economic affairs and could serve as a model for privatising many other activities performed by the government, Mr Koizumi argues.

Mr Koizumi's contention has less to do with championing free market forces than with concern over Japan's future finances. "If the government continues to do what private businesses can do just as well, the size of the administration will continue to swell. People need to realise that in order to avoid having to continuously raise taxes, it is crucial to reduce the functions of the government's bloated administration."

Unless measures are taken to reduce government functions, "no matter how much taxes are raised, it will be like a drop in a bucket that has a hole in it," he warns.

Mr Koizumi's campaign to privatise the postal ministry as a first step towards genuine administrative reform is an unusually bold act in a country where politicians have long been expected to leave policy up to the mandarins in Kasumigaseki, Japan's Whitehall.

But a third generation politician who has served twice as minister of welfare, Mr Koizumi is used to controversy. Two years ago he became the man whom bureaucrats love to hate when on the very day he was appointed postal minister he broke a Kasumigaseki taboo by speaking out against a key policy of his bureaucrats.

His latest mission also appears so far to have won him more enemies than friends.

As in the UK, where efforts to privatise the post office were recently thwarted by the resistance of several politicians, Mr Koizumi's idea of privatising many of the functions of Japan's postal ministry faces opposition not only from bureaucrats but from every political party, including his own Liberal Democrats. Neither is it particularly popular among the general public.

"Most people still think it is not necessary to take such a drastic step," he concedes. Few politicians, not to mention the mass media or the general public, are as exercised as Mr Koizumi about the need to adopt radical measures in order to tackle the financial squeeze on the public purse that is bound to come.

But politicians are also afraid of the consequences of speaking out. The postal unions are a formidable force in Japanese elections because of the size of the post office.

Direction must therefore come from the very top – from the prime minister himself, who will need to present the idea of privatising the post office as a cabinet policy. If that can be done, Mr Koizumi is sure there are many politicians who will be willing to follow the lead.

He does not expect such leadership to come from Mr Tomiichi Murayama, prime minister, whose Social Democratic party would be unlikely to risk alienating the postal unions.

He believes Mr Murayama will do a reasonable job in carrying out some aspects of administrative reform and deregulation. But the reform of a few state-controlled organisations does not go to the heart of the problem.

Politicians and the public will realise what needs to be done and be willing to act only when the financial situation of the government becomes more desperate. "Until then," Mr Koizumi says, "I will have to proceed with patience."

Brokers fight for private savings

By Emiko Terazono in Tokyo

Branch managers at Nikko Securities, a leading Japanese broker, have been scrambling to gather their ideas together ahead of the stock market seminars for individual investors held today.

Over the next few weeks, the brokers are expected to pursue a fierce media campaign against the commercial banks in bidding for the ordinary salaryman's seasonal bonus. But many officials of the broker's 126 retail branches are uncertain how much interest they can muster among their individual clients in time to get them to invest their winter bonus payments, to be distributed next month, in shares.

With the Nikkei index down 3.6 per cent since the start of the month, and many traders nervous over the benchmark's possible fall below the 19,000 psychological support level, some Nikko managers do not expect high participation.

What worries the officials, and the Tokyo financial community, is that while overseas, corporate and large institutional investors have been cautiously investing in the stock market over the past few years, retail investors, who have shunned shares since the market started its decline in 1990, have shown no signs of returning.

Participation in daily stock market trading has declined steadily, with last month's activity by private individual investors totalling 14.4 per cent of total market turnover, a sharp fall from 43 per cent 10 years ago.

Many retail investors are still licking their wounds from the post "bubble" era plunge in share prices, with the bulk of them sitting on unrealised losses. The problem has been exacerbated by disastrous privatisations of state owned enterprises.

The government and brokers had hoped that flotation of such companies as East Japan Railway, part of the former Japan National Railways, and Japan Tobacco, the tobacco and salt monopoly, would lure private investors back. Instead, the Nikkei plunged 20 per cent in a month subsequent to JR East's listing in October last year, while Japan Tobacco has fallen 33 per cent from its public offering price.

Mr Jason James, strategist at brokers James Capel in Tokyo, says a gradual rise in interest rates has damaged the case for a boom in retail stock investment seen in the US and the UK over past few years. While low interest rates prompted US and UK retail investments into equities, in Japan, the rise in bank deposit rates has kept individual investors from the equity market.

So how will the brokers try and entice retail clients to invest their hard earned cash? Many hope that by steering clear of the stocks, they can appeal to their clients.

"We're offering them deposit type investments," says one Nikko branch manager. "We have to convince people that we also offer safe and profitable products," he says.

NEWS: WORLD TRADE

CONTRACTS AND VENTURES

European steel plant for Japan

Kobe Steel, one of Japan's leading integrated steelmakers, has set up its first European production facility in the Netherlands. The new facility in the De Beitel industrial park will be Europe's largest producer of material for welding stainless steel, and is expected to be completed in May 1995, with commercial production starting in October next year.

The new facility will enable Kobe to avoid the impact of the yen's rapid appreciation, high delivery costs and import duties. Kobe plans to supply Europe and the US from its new facility. By 2000, it hopes to expand product lines to become a comprehensive producer of welding materials to supply the shipbuilding, construction and machinery industries. The European market for advanced welding materials is expected to grow to 1,400 tonnes by 2000 from an estimated 1,000 tonnes this year. Kobe Steel has a 40 per cent share of the Japanese market for welding materials. *Michiyo Nakamoto, Tokyo*

Tianjin seals $1bn US deals

Mr Zhang Lichang, mayor of Tianjin, China's third largest city, signed a clutch of agreements or letters of intent during a recent trip to the US, garnering a total of nearly $1bn in planned investments. Motorola has agreed to invest $360m to build its second manufacturing facility in the city, and General Electric plans a $246m expansion which would add four production lines to produce air conditioning units, refrigerators, washing machines and microwaves.

Competition for foreign investment between China's provinces and cities has become increasingly intense. With its population of 9.2m, Tianjin is stressing its huge market, skilled workforce and "stable society and fine public order". However a survey of foreign investors said laws and regulations were ignored, intellectual property protection was inadequate, and its bureaucrats are incompetent, especially at the lower levels. *Nancy Dunne, Washington*

■ Marubeni Corporation of Japan is to set up a joint venture with other foreign companies and the provincial electric power bureau to build a 132MW coal power plant in China's Guangdong province. The venture will invest about $1.3bn to build the plant for completion by 2000. *Reuter, Tokyo*

■ The London-based al-Hayat daily newspaper said Saudi Consolidated Electric Company-East (SCECO-East) plans to build a 2,400MW plant at a cost of $2bn in the kingdom's oil-producing eastern province. *Reuter, Manama*

■ General Electric of the US has won a $250m contract to supply power-generation equipment to Malaysia's national electricity company Tenaga Nasional. GE will install two 500MW steam turbine generators and auxiliary equipment at a plant in Selangor state. The first generator is to begin operating in early 1998. *AFX, Kuala Lumpur*

■ Cameco, the big Canadian uranium producer, and a group of international institutions will invest $340m in a new open pit gold mine in the former Soviet republic of Kyrgystan. Capacity will eventually be 500,000 ounces a year. Cameco is putting up $90m, a group of international banks led by Chase Manhattan $120m and the European Bank for Reconstruction $130m. Production starts in 1997 and reserves are sufficient for an 11-year mine life. *Robert Gibbens, Montreal*

■ Swedish telecommunication group Ericsson has signed a SKr612m ($84.3m) contract to deliver mobile phone equipment to Telecom Australia. *Reuter, Stockholm*

Japanese group makes early foray into Asian semiconductor plant investment

Mitsubishi in Taiwan chip venture

By Michiyo Nakamoto in Tokyo

Mitsubishi Electric yesterday said it would invest in a joint venture semiconductor facility in Taiwan to produce advanced memory chips.

This will be one of the first big investments by a Japanese semiconductor maker in an Asian manufacturing facility outside Japan.

Mitsubishi is to co-operate with Umax Data Systems, the parent company of Taiwan's largest printed circuit board maker, and Kanematsu, a Japanese trading company. The Taiwanese stake in the joint venture will be about 60 per cent, with Mitsubishi taking 15 per cent, Kanematsu 16 per cent and Japanese venture capital funds the remainder.

Mitsubishi's move reflects growing competition in the memory chip market to increase capacity in order to meet forecast demand. It also consolidates Taiwan's status as one of Asia's leading high-technology manufacturing bases.

The joint venture facility will be in an industrial park north of Taipei and will start production of 16-megabit dynamic random access memory chips next autumn.

Mitsubishi's investment decision was based on Taiwan's increasing importance as a manufacturing base for computers, the main users of memory chips. Taiwan probably makes about one-third of the world's PCs, a Mitsubishi spokesman said.

Taiwan's comparatively well developed infrastructure and the availability of gas, water and electricity were also a factor, Mitsubishi said.

A third element was the enthusiasm of the Taiwanese government, which is keen to develop an indigenous semiconductor industry. Although Taiwan is a big manufacturing base for computers, it does not have sufficient semiconductor manufacturing capacity to meet computer industry demand. At the same time, a large part of its growing trade deficit with Japan has been in electronic components, such as semiconductors.

The joint venture in Taiwan will enable Mitsubishi to share the cost of setting up a semiconductor manufacturing facility. Although the total investment in the facility was not revealed, building a semiconductor plant was not likely to cost less than Y50bn ($512m), a Mitsubishi spokesman said.

The project will also give Mitsubishi a valuable overseas manufacturing base for memories, which are expected to become the dominant product in the market from around 1995. The company has plans to expand semiconductor manufacturing at its facility in Japan but its overseas operations are seen to have lagged behind those of other leading Japanese semiconductor makers.

Mitsubishi's investment follows announcements by NEC, Hitachi and Toshiba, of increased investments in memory chip production. Japanese chip makers believe market demand will continue to be strong, particularly with the advent of multimedia technologies which require a lot of memory capacity.

Japan under pressure on two fronts

William Dawkins and **Michiyo Nakamoto** on talks with the US and the EU

Politely disguised anguish may be present beneath the smiles of Japan's senior politicians as they welcome their latest batch of guests to trade talks in Tokyo this week.

Delegations from Japan's two biggest trade partners, the US and the European Union, will arrive in Tokyo to obtain fresh promises that Japan realise its much vaunted plans to reduce the more than 10,000 regulations which protect and constrain an estimated 40 per cent of industrial activity.

Trade tactics employed by Washington and Brussels over Japan have converged in substance as well as in timing. The US will take a more co-operative line with Japan, because it is tired of being accused of bullying, while the European Commission will take a tougher line because it is tired of being accused of failing to get results.

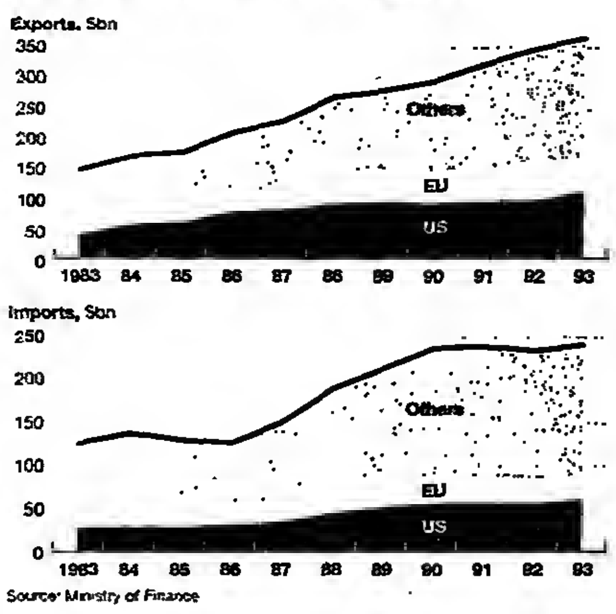
Washington has turned away, at least for the moment, from its former strategy of pushing for import targets and promises to be less confrontational, though no less demanding.

Brussels will, for the first time in several years, demand tangible progress. The message is that there is a limit to the EU's patient trade diplomacy with Japan, until now limited to polite statistical studies of foreign shares in each others' markets.

The commission has a second objective. Sir Leon Brittan, Commissioner responsible for external economic affairs, wants to return home with a promise that European companies will not be cut out of Japanese trade deals with the US. Some member states are uneasy that well mannered Europe wins none of the big trade prizes achieved by US table-thumping. Motorola's access to the mobile telephone market, won early this year, and US dominance of Japanese defence procurement are pointed to as examples.

Pressure is building up from European suppliers, such as France's Dassault Aviation, which wants the airforce to buy its Mystère Falcon business jet for transporting officers. Another is Britain's GEC-Marconi, hoping that Japan's defence agency will be allowed the political freedom to carry out its wish to buy UK instead of US minesweeping sonar.

Japan's trade with the EU and US



Source: Ministry of Finance

The US delegation today begins two days of talks, in which it will present Japan with a list of deregulation steps across 10 industries. Sir Leon and two Commissioner colleagues meet ministers on Saturday with a similar shopping list covering eight sectors.

Examples of long standing demands, shared by the US and EU, include:

● An end to the mass of planning and operating restrictions that impede the growth of supermarkets, a move which would spell death for the 1.5m small, family-run businesses that dominate Japanese high streets, but high profits for the budding discount sector.

● Lay open the maze of restrictions that ensure that foreign investment managers handle a mere 0.2 per cent of Japan's Y170,000bn (£1,075bn) pension funds.

● Streamline the arcane car inspection system, which requires each new vehicle to be checked twice, by two different government agencies, before it reaches the road. This ensures most car makers can only make a profit if they sell high volumes.

● Review the statutes of Nippon Telegraph and Telephone, the domestic telecommunications monopoly, to make it cheaper for private sector operators to plug international or long distance calls into NTT's local networks.

● Ensure that Japanese government policies for more open public procurement are carried out.

The signs are that the Japanese government and the behind-the-scenes power of big business also impede foreign competition.

Retailing is a good example because it touches everyday lives. Japan's large scale retail law, governing opening hours and planning consent, has been revised twice in the past two years to make life easier for new shops. Since the second revision last May, the number of supermarkets to open in Japan has quadrupled to about 80 a month as a result. Yet still less than 10 per cent of supermarket goods are foreign.

Meanwhile, Reuter reports that Japanese officials yesterday said they were sticking to their guns in their dispute with the US over access to Tokyo's car and car parts market, despite an agreement to re-open stalled talks on the issue.

"It's fine to re-open the talks, but Japan has not given up its basic conditions (for re-opening)," Mr Hideaki Kumano, vice-minister for international trade and industry, said in Tokyo. He said Japan was waiting for the US to move to restart the talks, adding that Japan had outlined three conditions for doing so.

Last Thursday Mr Mickey Kantor, US trade representative, said he and Japanese trade minister Ryutaro Hashimoto had agreed to re-open vehicle sector talks, but set no date. The talks have been stalled since the two sides failed to reach agreement at the end of September.

Yesterday Mr Kantor warned Japan that he intended to pry open its automotive market, even if that meant resorting to unilateral trade measures.

"We are going to make sure we make progress one way or another," Mr Kantor, in Jakarta for broader Asian-Pacific trade talks, said.

President Bill Clinton, also attending the Asian-Pacific trade talks in Indonesia, told prime minister Tomiichi Murayama yesterday that more progress on trade – especially cars and car parts – was needed, a US official said.

US signs big UK aircraft order

By James Buxton, Scottish Correspondent

Jetstream Aircraft, the troubled turbo-prop subsidiary of British Aerospace, has signed a contract to sell up to 60 of its Jetstream 41 commuter aircraft. The contract, which could be worth as much as $420m, is with Trans States Airlines of the US.

The order will boost substantially the workload at Jetstream's sole plant at Prestwick in Ayrshire, Scotland. It will also strengthen Jetstream's hand in negotiations with other European manufacturers on a strategic alliance of turbo-prop aircraft producers.

Trans States has placed firm orders for 25 Jetstream 41s, with an option for an additional 35. The first aircraft will be delivered to Trans States in St Louis, Missouri, next February, with the rest delivered during 1995 and 1996.

Trans States is a regional airline which has code-sharing alliances with TWA, USAir, Northwest and Alaska. It already operates the 19-seat Jetstream 31 aircraft.

Mr Hulas Kunodia, president of Trans States, said the 30-seater aircraft was selected for its ability "to contribute to the bottom line". It had the lowest operating cost of any 30-seat aircraft available.

Large aircraft orders are particularly prized among turbo-prop aircraft producers, who have large overcapacity and a dire shortage of contracts. In October 1993 Jetstream announced a cut of 630 in its workforce of 2,500 at Prestwick. It made an operating loss of £120m ($196.8m) in 1993 and British Aerospace made a £250m provision to cover turbo-prop leasing liabilities.

Jetstream has been in talks with the Franco-Italian ATR consortium, a joint venture between Aérospatiale and Alenia, on a proposed strategic alliance on regional aircraft of 30 to 80 seats. Although there has been speculation in the industry that agreement was near, British Aerospace yesterday refused to confirm this, and said it was also in talks with other companies.

The Trans States order will strengthen Jetstream's hand in any negotiations. It has been suggested in the industry press that under an agreement with ATR, Jetstream would continue to make the Jetstream 41, but would eventually drop the less successful 70-seat Jetstream 61, a direct competitor with the Franco-Italian ATR 72. It would become involved in developing and manufacturing the 84-seat ATR 82, which ATR wants to launch early in 1995.

INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS

Trade figures are given in billions of European currency units (Ecu). The Ecu exchange rate shows the number of national currency units per Ecu. The nominal effective exchange rate is an index with 1985=100.

■ UNITED STATES

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	279.6	-174.2	-164.5	0.7623	100.0
1986	231.0	-140.6	-153.7	0.9836	80.2
1987	220.2	-131.8	-144.8	1.1541	70.3
1988	272.5	-100.2	-108.3	1.1833	66.0
1989	330.2	-99.3	-93.3	1.1017	69.4
1990	309.0	-79.3	-72.0	1.2745	65.1
1991	340.5	-53.5	-5.6	1.2391	64.5
1992	345.9	-65.2	-52.4	1.2957	62.9
1993	397.3	-98.7	-88.6	1.1705	65.6
4th qtr.1993	106.9	-25.0	-26.9	1.1388	66.4
1st qtr.1994	106.9	-26.6	-28.7	1.1244	66.6
2nd qtr.1994	107.7	-32.7	-31.9	1.1605	65.3
3rd qtr.1994				1.2232	62.8
October 1993	34.5	-9.3	n.a.	1.1597	65.5
November	35.5	-8.6	n.a.	1.1282	66.6
December	36.6	-8.9	n.a.	1.1287	67.0
January 1994	35.2	-9.7	n.a.	1.1139	67.5
February	34.1	-10.6	n.a.	1.1184	66.7
March	37.5	-8.4	n.a.	1.1410	66.1
April	36.1	-10.6	n.a.	1.1385	66.0
May	35.4	-11.1	n.a.	1.1622	65.3
June	38.3	-11.0	n.a.	1.1808	64.6
July	33.6	-12.2	n.a.	1.2167	63.0
August	38.8	-10.6	n.a.	1.2196	63.1
September			n.a.	1.2312	62.3

■ JAPAN

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	230.8	76.0	64.5	180.50	100.0
1986	211.1	86.2	87.0	165.11	124.4
1987	187.3	86.1	75.3	166.58	133.2
1988	219.6	80.7	66.7	151.51	147.3
1989	245.3	70.5	52.8	151.87	141.6
1990	220.0	50.1	28.3	183.94	126.0
1991	247.4	83.1	62.6	166.44	137.0
1992	254.8	101.7	90.0	164.05	142.8
1993	300.0	121.0	111.7	130.31	173.8
4th qtr.1993	75.6	30.3	26.9	123.20	180.2
1st qtr.1994	81.1	32.8	30.1	120.95	182.5
2nd qtr.1994	81.7	31.6	29.5	119.84	187.1
3rd qtr.1994	80.4	30.1	26.2	121.14	189.8
October 1993	24.8	6.6	6.9	124.03	180.4
November	25.2	8.8	6.8	121.86	181.8
December	25.7	10.6	9.2	123.92	178.5
January 1994	27.1	11.3	11.2	124.03	177.0
February	26.9	11.3	10.1	116.77	185.2
March	27.2	10.2	6.8	120.04	185.3
April	27.6	11.3	10.8	117.79	188.6
May	28.1	8.6	8.8	120.67	186.2
June	28.0	10.6	10.0	121.06	186.6
July	26.6	11.1	9.6	120.00	181.5
August	26.9	9.2	7.6	121.85	188.7
September	26.7	8.8	8.5	121.58	189.8

■ GERMANY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	242.7	33.2	21.7	2.2260	100.0
1986	248.5	53.4	40.3	2.1279	108.8
1987	254.3	56.7	39.8	2.0710	115.3
1988	272.6	61.6	42.8	2.0739	114.8
1989	310.2	65.4	52.3	2.0681	113.5
1990	324.4	51.8	36.9	2.0537	118.1
1991	327.4	11.2	-15.7	2.0480	117.7
1992	330.8	18.8	-17.0	2.0187	121.2
1993	323.1	30.8	-17.2	1.9337	124.8
4th qtr.1993	82.7	8.7	-5.3	1.9181	124.8
1st qtr.1994	81.6	7.8	-5.8	1.9370	122.4
2nd qtr.1994	89.6	11.3	-2.7	1.9276	123.5
3rd qtr.1994				1.9088	128.0
October 1993	27.6	3.3	-2.7	1.8995	126.2
November	27.6	3.1	-0.6	1.9182	124.5
December	27.3	3.3	-1.6	1.9308	123.7
January 1994	26.6	3.1	-1.6	1.9415	122.2
February	28.3	3.2	-2.3	1.9387	121.8
March	26.6	1.2	-1.8	1.9299	123.2
April	29.1	4.8	-0.6	1.9335	122.8
May	30.2	3.1	-2.3	1.9265	123.5
June	30.6	3.6	0.1	1.9228	124.3
July	29.0	2.1	-7.0	1.6117	125.7
August			-3.4	1.9075	126.3
September				1.9073	126.1

■ FRANCE

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	133.4	-3.7	-0.2	6.7942	100.0
1986	127.1	0.0	3.0	6.7946	102.8
1987	128.3	-4.6	-3.7	6.9265	103.0
1988	141.9	-3.6	-3.4	7.0354	100.6
1989	162.9	-6.3	-3.6	7.0169	99.9
1990	170.1	-7.2	-7.2	6.9202	104.6
1991	175.4	-4.2	-4.9	6.9643	102.7
1992	182.6	4.6	2.9	6.8420	106.0
1993	179.8	13.5	8.9	6.6261	106.3
4th qtr.1993	46.1	4.4	3.0	6.6431	107.3
1st qtr.1994	46.5	2.4	3.4	6.5881	108.0
2nd qtr.1994	48.8	3.2	0.5	6.5967	106.0
3rd qtr.1994				6.5382	110.0
October 1993	15.0	1.25	0.68	6.6631	106.8
November	15.1	1.14	0.32	6.6637	108.8
December	16.0	2.01	1.84	6.6025	108.2
January 1994	15.3	0.26	2.36	6.5956	107.6
February	15.2	0.74	-0.29	6.5905	107.6
March	16.0	1.35	1.36	6.5782	108.3
April	15.8	1.19	0.42	6.6240	107.1
May	16.6	1.16	0.17	6.5972	107.9
June	16.2	0.88	-0.06	6.5688	108.6
July	16.0	0.74	1.17	6.5508	109.7
August	16.8	1.11	-0.04	6.5347	110.2
September				6.5233	110.3

■ ITALY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	103.7	-16.0	-5.4	1443.0	100.0
1986	99.4	-2.5	-1.4	1461.6	101.4
1987	100.7	-7.5	-2.1	1494.3	101.2
1988	108.3	-8.6	-8.0	1536.8	97.6
1989	127.8	-11.3	-17.0	1509.2	98.6
1990	133.6	-9.3	-16.0	1523.2	100.6
1991	137.0	-10.5	-17.7	1531.3	98.8
1992	137.6	-8.0	-20.6	1661.5	95.7
1993	144.3	17.8	6.8	1836.7	79.6
4th qtr.1993	38.6	6.7	5.6	1879.6	77.0
1st qtr.1994	37.5	3.4	1.1	1892.6	76.2
2nd qtr.1994			6.1	1861.2	77.6
3rd qtr.1994				1920.2	75.6
October 1993	13.2	2.4	2.2	1854.9	78.2
November	12.8	1.8	1.7	1880.7	77.0
December	12.9	2.7	1.7	1903.6	76.1
January 1994	10.2	0.1	-1.0	1892.5	78.2
February	12.6	1.6	1.3	1883.9	76.4
March	14.5	1.7	0.9	1901.9	75.9
April	12.9	1.4	1.2	1850.1	78.0
May	13.7	1.6	1.4	1852.6	76.2
June			3.5	1880.5	77.1
July				1904.6	76.3
August				1928.3	75.4
September				1928.0	75.3

■ UNITED KINGDOM

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	132.4	-5.7	3.8	0.5890	100.0
1986	108.3	-14.2	-1.3	0.6708	91.6
1987	112.3	-16.4	-7.1	0.7047	90.1
1988	120.6	-32.3	-25.0	0.6643	95.5
1989	137.0	-38.7	-33.5	0.6728	92.6
1990	142.3	-26.3	-26.6	0.7150	91.3
1991	147.7	-14.7	-11.7	0.7002	91.7
1992	145.8	-17.8	-13.4	0.7359	88.4
1993	156.1	-17.0	-13.3	0.7780	80.2
4th qtr.1993	40.7	-4.2	-2.8	0.7635	81.1
1st qtr.1994	42.3	-3.9	-1.7	0.7554	81.3
2nd qtr.1994	43.0	-3.1	-0.9	0.7716	80.0
3rd qtr.1994				0.7885	79.2
October 1993	13.7	-1.1	n.a.	0.7712	80.4
November	13.4	-1.5	n.a.	0.7620	81.0
December	13.7	-1.6	n.a.	0.7573	81.7
January 1994	14.4	-1.2	n.a.	0.7456	82.4
February	14.0	-1.1	n.a.	0.7557	81.0
March	13.9	-1.8	n.a.	0.7649	80.5
April	14.5	-0.8	n.a.	0.7673	80.0
May	14.0	-1.3	n.a.	0.7733	79.9
June	14.4	-1.0	n.a.	0.7741	80.1
July	14.5	-0.7	n.a.	0.7881	79.2
August	14.7	-0.6	n.a.	0.7906	79.0
September			n.a.	0.7867	79.3

Due to the introduction of the Single Market, EC countries are currently changing to a new system of compiling trade statistics. All trade figures are seasonally adjusted, except for the Italian series and the German current account. Imports can be derived by subtracting the visible trade balance from exports. Export and import data are calculated on the FOB (free on board) basis, except for German and Italian imports which use the CIF method (including carriage, insurance and freight charges). German data up to and including June 1990, shown in italics, refer to the former West Germany. The nominal effective exchange rates are period averages of Bank of England trade-weighted indices. Data supplied by Datastream and WEFA from national government and central bank sources.

Rebublicans look to 1996 presidential election after last week's congressional victory

Gramm, Specter eye White House

By George Graham in Washington

Leading Republicans have barely savoured the triumph of last week's crushing victory in the US congressional elections before setting their sights on the presidential election in 1996.

Small towns in Iowa and New Hampshire, the first states to hold ballots in the 1996 primaries, have been crowded over the last three days with hopeful Republican candidates, as Senator Phil Gramm of Texas and Senator Arlen Specter of Pennsylvania formally threw their hats into the ring for their party's presidential nomination.

It came as no surprise that Mr Gramm, an abrasively conservative economics professor, should announce that he was filing papers this week with the Federal Election Commission to put the legal structure in place for a campaign.

Mr Gramm has made no secret of his plans, and clearly wishes to capitalise on last week's election success, for which, as chairman of the Republican senate campaign committee, he can claim at least partial credit.

But Mr Specter's announcement that he is "exploring" a candidacy is seen as a more quixotic venture – and perhaps a sign that the Republicans' prospects are not so unclouded as they might appear after last week's triumph, which has led many in the party to conclude that President Bill Clinton is destined to follow the last Democrat in the White House as a one-term president.

Arlen Specter: his candidacy suggests that he would attempt to pull the party back towards the centre

Phil Gramm: can claim at least part of the credit for the Republican party's election success last week

For a moderate such as Mr Specter to run, with minimal hopes of winning, suggests that the party could have trouble remaining united after its tilt to the right in recent years.

His candidacy would resemble in some respects that of Mr Paul Tsongas in the 1992 Democratic primaries – a bid to pull his party back towards the centre, more than a realistic quest for the nomination.

In his announcement yesterday Mr Specter took aim at "spoilers" such as Mr Pat Robertson, the conservative Christian leader, and Mr Pat Buchanan, the former Nixon speechwriter whose maverick candidacy so irked former President George Bush in 1992.

"It is important at the outset to focus on the far-right fringe," Mr Specter said.

A host of other Republican hopefuls could enter the lists. Senator Robert Dole, the acid-tongued leader of the new Senate majority, said he would make up his mind by February 15. At least six members of Mr Bush's cabinet – secretary of state James Baker, defence secretary Dick Cheney, labour secretary Lynn Martin, housing secretary Jack Kemp, vice-president Dan Quayle and education secretary Lamar Alexander – are also possible candidates.

Of these, Mr Kemp started with the most public esteem but it is Mr Alexander who now appears to have the best position.

A former governor of Tennessee, he is not widely known but has built a strong political network, and is likely to win wider support among the 31 Republican governors than other candidates more rooted in Washington.

Iowa, which holds party caucuses in January of a presidential election year to decide who to nominate for the presidency, counted for little in 1992 because Senator Tom Harkin, a candidate for the Democratic nomination, was widely expected to sweep his home state. New Hampshire holds the first presidential primary in the country.

Both states have in the past provided an important springboard for candidates to raise their national profiles and to attract money for their campaigns in the rest of the country.

In 1996, however, California and New York will both hold their primaries much earlier in the process, instead of waiting to the end.

Campaign managers believe, therefore, that a serious candidate will need a good organisation and at least $30m in hand by January 1996.

Depleted Democrats battle for party's soul

By George Graham

After taking a severe beating at the hands of their Republican opponents in last week's elections, the Democrats yesterday started to fight among themselves over who should control what remains of their party.

Congressman Charlie Rose of North Carolina was expected to announce yesterday that he would challenge Congressman Dick Gephardt of Missouri for the minority leadership, setting the scene for a pitched battle between the Democrats' competing wings.

If the Democrats had kept a majority in the House of Representatives, Mr Rose might well have challenged Congressman Tom Foley for the speakership. But in the Democrats' general defeat, Mr Foley lost his own bid for re-election in eastern Washington state by the slimmest of margins.

As majority leader in the outgoing Congress, Mr Gephardt ranks second in his party to the Speaker. With no speaker, the minority party's leader ranks first.

Mr Rose represents the more conservative southern wing of the Democratic party, strongly supporting tobacco growers – the mainstay of his North Carolina district – and playing behind-the-scenes politics from his current position as chairman of tha House administration committee.

Mr Gephardt, meanwhile, began as a moderate and was one of the founders of the Democratic Leadership Council, the centrist group which claims President Bill Clinton as one of its principal members but has often despaired of getting him to stick to its philosophy. In the mid-1980s, however, Mr Gephardt moved to the left, and ran unsuccessfully for the Democratic presidential nomination in 1988 as a pro-union protectionist.

Gephardt faces challenge from Rose as the minority leader in House

Generally recognised as an extraordinarily skilful manager of the Democratic congressional caucus, Mr Gephardt starts the contest with a clear edge over Mr Rose.

Even more tellingly, the election has moved the Democratic congressional party to the left. Many old-school southern Democrats will not return to Washington when the new Congress meets in January, through either retirement or defeat. In Mr Rose's own state of North Carolina the Democrats lost four of the eight House seats they had held.

Of the expected 204 Democrats in the new House (results from some districts are not yet final) a clear majority represent districts in the northeast and midwest. Among the remaining southern Democrats, a much larger proportion now represents black and Hispanic districts. Both groups are shifting the party's centre of gravity to the left.

In the Senate, a rather different leadership contest is brewing. Senator Jim Sasser had been expected to succeed Senator George Mitchell, the retiring majority leader, but lost his re-election bid in Tennessee.

That leaves Senator Tom Daschle of South Dakota, who is viewed as having a philosophy very similar to Mr Gephardt's, to compete against Senator Christopher Dodd of Connecticut, another of the Senate's liberals.

Peru's success hampers quest for debt deal

Sally Bowen and **Stephen Fidler** on a difficult case for generosity

A powerful economic recovery could well hamper the Peruvian government's quest for an advantageous debt deal with its bank creditors. With the ecoomy likely to grow at the fastest rate in Latin America for the second straight year, and its foreign exchange reserves at a record $6bn (£3.6bn), it could be tough convincing banks that Peru deserves generous treatment.

Recent announcements by economy and finance minister Mr Jorge Camet suggest talks with leading bank creditors may start in mid-December.

Not before time, says Mr Carlos Boloña, former economy minister and architect of Peru's far-reaching economic liberalisation and reform programme. According to Mr Boloña, Peru had made substantial advances towards a "Brady" debt reduction accord in 1992 "when negotiating conditions were considerably more propitious than today".

"The time was right, when both the debt price and international reserves were still low," says Mr Boloña. "Now you can't go crying to the banks, and negotiating will be much harder." Peru's debt is trading in the secondary market at around 56 per cent face value, compared with less than 20 per cent at the end of 1992.

A deal in 1992 was stymied, however, by the still-unexplained sacking of Mr Boloña and a battle over a disputed $72m debt to two New York banks – which was formally recognised by the Peruvian Congress only after 10 months of deliberations.

Ministry advisera are now saying they would like to see a Brady deal in place some time next year. Many bankers think this may be difficult, particularly given presidential elections next April.

Two technical obstacles must be cleared. The banks insist that Peru pay some $1.5m in legal fees they incurred in legal actions against the government, and the government insists the banks withdraw all pending lawsuits.

The main complication will be the huge amounts of interest arrears owed dating back to 1984. "Peru is the country with the largest ratio of arrears to principal; that's going to involve some hard negotiations," says Mr Peter West of the London-based West Merchant Bank. According to calculations by the Institute of International Finance, an international bank think-tank in Washington, using contractual interest rates the ratio of interest arrears to principal will be 142 per cent by the year end, and 162 per cent by the end of next year.

Banks have always resisted giving generous terms on arrears to discourage debtors from delaying interest payments. The sticking point will not be the terms on the roughly $3.5bn of principal – that is likely to be fairly rapidly settled, say bankers, at a discount of 45 per cent (as in Ecuador's just completed deal) or 50 per cent (as in Bulgaria). The sticking point will be what happens over the more than $4.2bn in overdue interest.

Some economists think that a generous settlement on interest is needed, given that Peru's overall debt position remains critical despite the breathers given under a generous September 1992 rescheduling deal with the Paris Club of creditor governments. The country owes more than $22bn, almost six times current annual export earnings and probably not far short of actual GDP.

Mr Paul Luke of Morgan Grenfell in London argues that the banks will be forced to write off some of Peru's past due interest. Without this, he argues, it will be impossible to finance the debt deal from the country's tax revenues – which have proved notoriously difficult in the past to increase beyond present low levels of around 11 per cent of GDP.

Mr Roberto Abusada, now an adviser in the economy ministry and a former vice-minister, agrees. "We're at the limits of our fiscal possibilities and we need a highly advantageous deal."

Mr David Atkinson of Standard Bank in London believes the negotiations will not be easy, but thinks banks may well worry less about setting precedents with a relatively generous settlement on interest arrears.

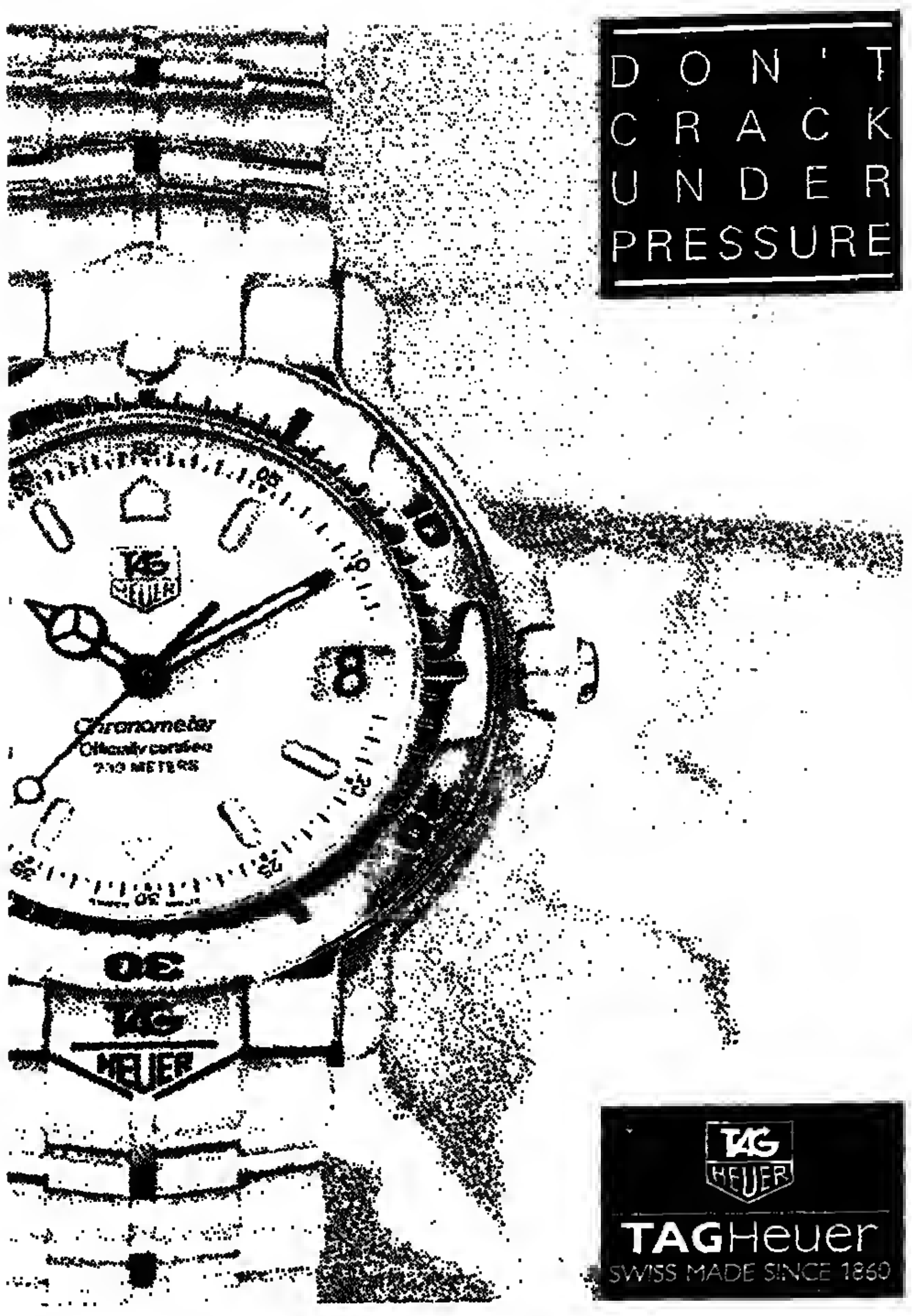
Many bankers think that Paru's high reserves should allow a buy-back of some of the debt for cash – something Ecuador could not afford. Furthermore, a prolonged negotiation could allow further debt to be liquidated through debt-to-equity swapa in the government's privatisation programme.

Peru has raked in large amounts of cash from state company sell-offs. The total so far exceeds $2.7bn and there are important assets, including electricity generating companies, fishmeal plants, oilfields and refineries and the giant state-owned mining and refining company Centromin, still to go under the hammer.

Economy ministry officials say privatisation haa added some $2bn to the reserves and this cannot, by law, be diverted into debt repayments. In addition, bank reaerve requirements mean that 45 per cent of all dollar deposits in Peru – about two-thirds of total deposits – are placed in the central bank, hugely swelling the reserve total.

Peru also has a large deficit on current account – around $1bn for the first half year alone. It is being financed by the inflow of long-term capital, mainly from privatisations and the short-term capital still flooding into the high-performance Lima stock market.

Neither of these sources can be counted on to continue for more than a year or two. Export earnings, though on target for a record $4bn this year, remain vulnerable to fluctuations in raw materials prices. Peru's real capacity to service debt has thus changed little in 15 years.



NEWS: UK

Better-than-expected data but price pressures continue to grow

Figures ease inflation fears

By Gillian Tett and Philip Coggan

The cost of goods leaving UK factories rose by less than expected last month, easing fears that inflation pressures will trigger a rise in interest rates in the coming weeks.

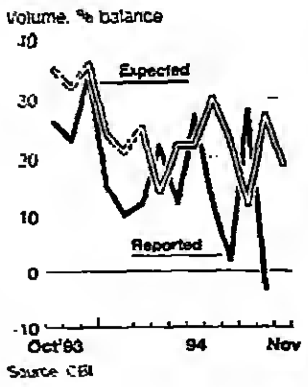
However, underlying price pressures in industry continue to grow, suggesting that fresh impetus for a rate rise will emerge in the months ahead.

The Central Statistical Office yesterday said that the cost of goods produced by UK manufacturers for the home market rose by 0.1 per cent in October, compared with September, and 2.3 per cent in the year to October.

The figures were flattered by a fall in petrol prices. Measured without the volatile food, drinks, tobacco and fuel sectors, output prices rose by 0.4 per cent in the month.

Nevertheless, the data was better than the City had expected and prompted some analysts to suggest that further rate rises are unlikely this month.

Retail sales



Source: CBI

Mr Eddie George, governor of the Bank of England, and Mr Kenneth Clarke, UK chancellor, are understood to have agreed to leave interest rates unchanged at 5.75 per cent at their regular monetary meeting earlier this month.

However, expectations of a rise in US rates fuelled speculation that a UK base rate rise might be imminent. The US Federal Open Markets Committee meets in Washington today, and is widely expected to raise rates by at least 0.5 per cent.

It is thought that an additional meeting between Mr George and Mr Clarke would be required ahead of their next scheduled meeting on December 7 for the UK to follow any US lead immediately. However, most analysts believe that a UK interest rate rise is likely to be delayed until after the Budget on November 29.

Yesterday's data painted a mixed picture. The price of fuels and materials purchased by manufacturers rose by a seasonally adjusted 0.1 per cent in October, compared with September, the lowest monthly rise since January. Over the year to October input prices rose by 6.9 per cent.

The subdued rise in output prices indicates that most of the annual input price increase is still being absorbed by industry. But the Treasury expects that output prices will accelerate next year, and yesterday's data suggested that manufacturers in some sectors, such as plastics, are already passing input price increases onto customers. Measured on a three-monthly basis, output prices, excluding volatile elements, rose by 0.8 per cent in the three months to October, compared with 0.4 per cent in the three months to July.

However, it remains uncertain whether retailers will be able to pass manufacturers' price increases on to consumers, given the fragile state of consumer confidence.

A Confederation of British Industry survey yesterday showed that retailers reported a dip in annual sales volumes in October, for the first time since December 1992.

Rise in cost of raw materials forces prices up

By Gillian Tett, Economics Staff

A surge in the price of the raw materials used in the plastics sector forced plastics manufacturers to raise their prices last month, the Central Statistical Office said yesterday.

Meanwhile, the chemicals and pulp, paper and publishing sectors also reported significant rises in the cost of their raw materials.

However, the cost of coffee and metals fell back last month, following the surge in these commodity prices earlier this year.

Overall, the CSO said that output prices for all manufacturing sectors rose by 0.1 per cent in October, compared with September, and by 2.3 per cent in the year to October.

This yearly rise was considerably lower than the growth in raw material costs, suggesting that many manufacturers are still being forced to absorb the input price increases themselves.

Input prices rose by 6.9 per cent in the year to October, and by 0.4 per cent between September and October.

Nevertheless, the breakdown of the data painted a mixed picture of the underlying inflationary pressures, with some manufacturing sectors continuing to hold down their prices, while others are now passing recent rises in raw materials costs on to their customers.

Output prices in the rubber and plastics sector, for example, rose by 1.7 per cent between September and October, and by 2.7 per cent in the three months to October.

The CSO said several large plastics manufacturers reported that these price rises had been forced on them by rising raw materials costs, which grew by 7.7 per cent between July and October.

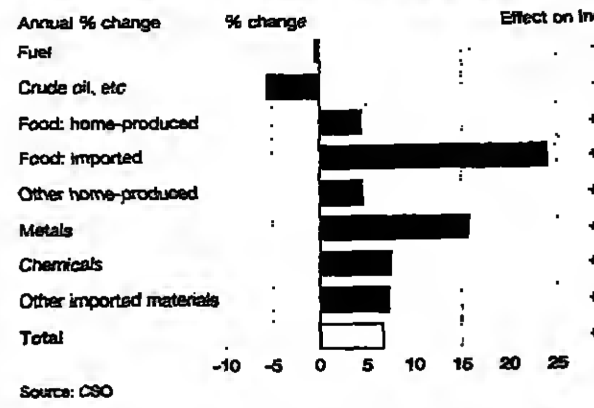
The cost of raw materials in the chemicals sector also rose 1.2 per cent last month. Some of this rise was passed on to customers, with output prices growing by 0.7 per cent in the month.

Meanwhile publishing, paper and pulp input prices rose by 1.2 per cent in the month, while output prices grew by 0.6 per cent. These rises were partly offset by the fall in some commodity prices.

Coffee costs, for example, fell by 5 per cent between September and October. However, this followed a dramatic surge in coffee prices earlier this year, with coffee costs still three times higher than for last October.

The monthly drop in coffee prices caused imported food costs to fall by 2.3 per cent in the month, although prices still stand 24 per cent higher than last October.

Mixed picture: the cost of materials



Source: CSO

Low gas prices are 'unsustainable'

By Robert Corzine

British Gas says it is making little effort to regain market share in the industrial sector because present low prices are "unsustainable".

Mr Simon Kirk, managing director of Business Gas, the new name for the contract trading division which sells gas to industrial and commercial users, said yesterday customers were getting "a wonderful deal" because of intense competition in the sector.

But he said industrial gas prices had fallen "too low for gas companies to make money on a long-term basis".

Ofgas, the industry regulator, recently lifted restrictions which prevented British Gas from offering discounts to commercial customers. The restrictions were imposed to encourage the growth of competition in the industrial segment of the market.

British Gas's share of the overall market above 2,500 therms a year has fallen to 51 per cent, according to Mr Kirk, and could fall further. In the large company market above 25,000 therms the share has fallen to 14 per cent. But the company was not intent on rebuilding market share because of the low prices. Instead it will focus on profitability.

Mr Kirk called on Ofgas to lift the remaining restrictions on the company next year. He said current rules prevent it from tendering for multi-site contracts which include locations which use less than 25,000 therms.

He predicted that the competitive pressures in the sector were unlikely to ease soon. Some executives at independent gas marketing companies do not expect the market to improve for at least a year.

BT set to test full video on demand

By Raymond Snoddy

British Telecommunications will announce today that it is going ahead with a full commercial trial of its ambitious video-on-demand technology early next year.

A first trial involving 60 homes, mainly of BT employees, was a technical success. But because the service was free, little useful information was gained about consumer demand.

BT will begin next month recruiting consumers in 2,500 homes in the Colchester and Ipswich areas for beginning in the spring.

BT's video-on-demand technology involves sending television pictures in digital form from a database down ordinary telephone lines. The capacity of the line is enough to carry a film and an ordinary voice conversation at the same time.

In the Colchester trial the converter boxes needed to turn the digits back into a television picture will probably be supplied free. However, consumers are likely to be charged for the use they make of the service to try to provide as realistic a commercial test as possible.

BT sees video-on-demand providing eventually a large range of services but the initial trials are likely to centre on films and making available on demand television programmes viewers may have missed.

Five programme suppliers have signed up for the trial. They are Kingfisher, the Woolworths holding company, Granada through its London Weekend Television subsidiary, Pearson – owner of the Financial Times – Carlton Television and the BBC.

● Pact, the main body representing independent television and film producers, will this week formally accuse the BBC of being guilty of a restraint of trade.

Mr Tom Gutteridge, chairman of Pact – the Producers Alliance for Cinema and TV – will make the complaint of unfairness to Mr Will Wyatt, managing director of BBC Television.

Pact, which represents more than 800 independent production companies, claims independents are denied fair access to programme proposals.

The main complaint is that independents do not have guaranteed assess to the BBC's channel controllers, Mr Alan Yentob at BBC 1 and Mr Michael Jackson at BBC 2. Ideas have to be filtered first through heads of department, who are at the same time promoting in-house ideas.

Oiling the wheels of economic success

Liverpool must work hard to reap the rewards from its local oilfields, says **Ian Hamilton Fazey**

A "Klondike mentality" on Merseyside in northern England is preventing some companies in the region from seizing the opportunities offered by big investments in oil and gas fields off Liverpool.

Mr Alan Kennedy, a recently retired Shell executive with more than 20 years' experience of the offshore industry, who advises a local authority, says local companies will have to fight hard to win business arising from the oil finds.

He claims some are not ambitious enough and expect orders to come to them simply because they are on the spot.

"The oil industry doesn't need Liverpool and Merseyside," he warns. "It's self-contained and can import everything it needs."

His caution is echoed by Mr John Carne, operations director of US-owned Cooper Energy Services in Bootle. "I discourage the belief that this will be another Klondike," he says. "You have to take a more measured approach. One should not predict success on the back of a few oil and gas fields – we have to be cautious."

Those "few" fields could be significant. They are in Liverpool Bay, the stretch of Irish Sea in the right-angle formed by Lancashire and North Wales. There are 200m barrels of oil, mainly in Douglas, a field 15 miles north of Point of Ayr on the Welsh side of the Dee estuary. The rest is in a field called Lennox, five miles west of Southport.

Lennox also contains gas – part of 1,000bn cu ft found there and in two other fields by Hamilton Oil, a subsidiary of Broken Hill Proprietary, the Australian steel, minerals and energy group. Gas has also been found in nearby fields called Hamilton and Hamilton North. Field life is estimated at 17 years, but the Hamilton consortium – its partners in the exploration are Lasmo and Monument – expects to find more. In fact, 16 companies have obtained exploration licences for the area.

Hamilton chose the unused docks at Bootle as the onshore supply base for the project, against bids from several other areas, including Barrow-in-Furness in Cumbria and Heysham in Lancashire.

The activity has raised local expectations, which political and business leaders are trying to curb so local people will not be disappointed if no bonanza results. Ms Rita Darwin, head of economic development for the Merseyside borough of Sefton, says: "People have watched Dallas on television and think this is what happens when oil is discovered on your doorstep.

"They look at the growth of Aberdeen 20 years ago and hope for something similar. But Aberdeen became a boom town with an oil price of $30 [£18] a barrel. Something similar is not going to happen here with the price down to $18."

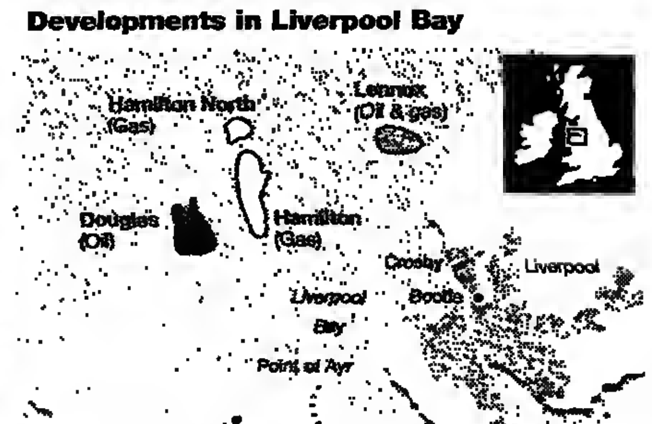
As margins have tightened, oil companies have become increasingly cost-conscious. "We don't expect Hamilton to employ a lot of people," Ms Darwin says. "Meeting technical specifications locally may also require a lot of investment as well as a new understanding of what is meant by service in an industry that expects it instantly, 24 hours a day.

"But we also know they will want day-to-day consumables. This is where we are already beginning to see immediate benefits to the local economy."

These may be merely the crumbs of Hamilton's total £350m budget for all onshore and offshore spending on the Liverpool Bay project – but they can sustain a lot of small companies.

Mr Mike Swift, director of Sefton Chamber of Commerce and Industry, says: "To get any of this new money into the local economy, we have had to learn how the oil and gas industry buys its goods and services. We have also had to understand it's not another Klondike where fortunes will be made easily."

Developments in Liverpool Bay



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MPs to safeguard role of mandarins

By Philip Stephens, Political Editor

An inflnential committee of MPs is set to call for a statutory code of condnct to guarantee the political independence of Britain's civil service.

In a report critical of the stance adopted by Sir Robin Butler, the cahinet secretary, the committee is expected also to insist that ministers remain directly responsihle to parliament for seml-independent execntive agencies.

The report by the Treasury and Civil Service committee is understood to reject Sir Robin's view that existing rules and procedures provide sufficient protection for the impartiality of the civil service.

The report's pnblication next week will echo disquiet among Sir Rohin's colleagues in Whitehall about his high-profile role in a number of political controversies. These inclnde his investigation of mlnisters ln the "cash-for-questions" row and his exoneration of Mr Jonathan Aitken, the Treasury secretary, in the dispute over payment of a hill for a weekend stay at the Ritz Hotel in Paris.

The report, doe to be pnblished on November 24, has been endorsed hy the full committee, which has an in-built Conservative majority.

The proposal for a code of conduct with statutory backing to replace the dozen separate sets of rules under which civil servants now operate, falls short of the more prescriptive Civil Service Act favoured by some MPs.

Bnt the new code wonld set out in simple terms the ohligation of civil servants to he impartial and objective and wonld highlight the doty of ministers to respect their officials' political oentrality.

It would also end the present system in which the cabinet secretary is the final arbiter in cases where civil servants claim they are being pressured to act improperly.

The MPs also recommend an independent appeals system.

Fresh controversy over Pergau dam

By James Blitz

Britain could use its overseas aid budget to fund Malaysia's Pergau dam project, despite a High Court ruling last week that the government had acted illegally in making such donations.

Amid growing controversy ahout the use of aid money to help finance international arms deals, officials at the Treasury, the Foreign Office and the Overseas Development Administration have been examining ways of paying more than £200m to Malaysia without contravening the court judgment.

The High Court ruled the ODA could not make direct payments for the Pergau dam project because it does not promote the development of a country's economy as required hy UK law.

However, Treasury officials are now examining a scheme wherehy the ODA could he required to make the payments indirectly so that Britain continues to meet a commitment made by Mr Douglas Hurd, the Foreign Secretary, three years ago.

Under the proposal, the cost of Britain's aid donation to Malaysia would be met from the Treasury's contingency fund. The Treasury would then make commensurate cuts in the ODA's budget.

The Foreign Office is understood to have warned that this method of paying the Malaysians could run counter to the spirit of the High Court judgment and might invoke further legal penalties. However, Foreign Office officials will be keen to ensure that the payments do not come from their own budget.

In wake of the High Court ruling, the government must decide quickly on how it will make the payments.

Under the agreement struck with the Malaysian government, the ODA agreed to use its Aid and Trade Provision to provide a total of £234m in staged payments to help build the dam.

The government still has to make some £216m of these payments, which meet the costs of borrowing funds at concessionary interest rates to help build the dam. The next payment – some £15m – is due on December 20.

The controversy over the Pergau dam comes amid speculation that the UK has used development aid to forge a £6.1bn arms deal with the Indonesian government.

At the weekend, the Foreign Office rejected any connection between weapons contracts and aid packages to the government of President Suharto.

However, it emerged yesterday that UK military officials are planning a four-month military tour of Indonesia and other Far Eastern countries next year to promote UK naval equipment.

It is understood that Westland-built Lynx helicopters will be demonstrated to potential buyers when two Royal Navy frigates join Operation Australasia '95 in June.

The ships will visit Indonesia, Malaysia, Singapore, Brunei, Thailand, Australia, New Zealand and Sri Lanka during the tour, scheduled to last from June to October.

Shaking off the glitches that plagued trial runs, high-speed trains rolled on schedule Monday during the first day of regular passenger service linking Paris, London and Brussels through the Channel tunnel. The inaugural London-Paris train even arrived two minutes early. Ten minutes after leaving Waterloo station the $40m, 18-car train hit its top speed of 300km per hour (187 mph), slowing to 160 kph (100 mph) for the 20 miontes it took to pass through the 31.4-mile tunnel. Picture: Tony Andrews

Major determined to shake 'sleaze' image

By David Owen

Mr John Major last night underlined his determination to shake off the charges of sleaze that have damaged his government, with a rohust attack on MPs who take on too many paid outside interests.

The prime minister used his speech at the Lord Mayor's banquet in London to defend the right of MPs to have outside interests and to argue that Britain would not henefit if parliament were populated hy "wholly professional" politicians. But he said Westminster should not be "a hiring fair" or a "way" to other johs, "as frankly it sometimes has been".

Speaking as MPs prepared for tomorrow's Queen's Speech detailing next year's legislative programme, Mr Major said the recently established Nolan committee would have a continuing role in policing standards in British puhlic life.

The hody's task was not just to meet "immediate questions", he said. It was "to act as a running authority of reference – almost, you might say, an ethical workshop called in to do running repairs."

In a speech hilled by Downing Street as more than usually his personal creation, Mr Major underlined the importance of attracting the "right people" into public service and urged commentators to use their "very great" freedom to attack and expose with responsibility.

Acknowledging the need to improve the accountahility of the public service, he said government had heen "too secret too long." "It is damaging if there appears to be some kind of inside track - a gulf between those who know how to play the system and others who do not," he said.

In a speech that ranged much more widely than the occasion's traditional focus on foreign affairs, Mr Major also commented on the economy, business and Northern Ireland.

Welcoming recent remarks on the need for responsibility in setting executive pay levels, he said there was "no doubting the resentment that large and often unjustified pay rises" could cause.

He said British capitalism had become "capitalism with a conscience, but there was still more that business could do to improve its image.

UK NEWS DIGEST

Court ruling a boost for Lloyd's Names

Hard-hit members of Lloyd's of London yesterday won a court order forcing details to be given on the level of insurance cover bought to meet possible negligence awards by the professional agencies they are suing.

The ruling in the High Court may lead to some indication being given about the amount of money available to meet any damages awarded to Names, the individuals whose assets have traditionally supported the Lloyd's insurance market.

The decision is a fillip for Names such the Gooda Walker Action Group members who last month won damages they estimated at £504m against Lloyd's agencies but have yet to discover how much they might actually receive.

However lawyers acting for those who provided the "errors and omissions" cover said they would appeal against the ruling.

Row over nuclear waste dump

A proposed nuclear waste dump in Cumbria, northern England, should be abandoned because it is in an earthquake zone, says Greenpeace, the environmental campaign group.

It said the safety risk at the underground Nirex site at Sellafield was being ignored hy the government and nuclear industry, which had chosen the site for political, not geological reasons.

Nirex dismissed the claim as "nonsense". A decision on planning permission is at least four years away.

Editor to step down

Mr Andrew Neil, editor of the Sunday Times for 11 years, yesterday severed most of his links with Mr Rupert Murdoch's News Corporation in a pay-off reported to be in the region of £1m.

Mr Neil, 45, has turned down the offer of a nightly US TV show after Mr Murdoch's Fox Television network axed his planned weekly current affairs programme.

He will now concentrate on a freelance broadcasting and writing career, including a book about his 10 years as Sunday Times editor. But he will continue to write for the paper occasionally after he steps down on December 31.

"It's not divorce, it's an amicable separation," he said in London yesterday.

Convenience food sales rise

Ready-made meals comprised almost 35 per cent of the average UK household's food bill last year, a rise of nearly 10 per cent since the early 1980s, according to the 1993 National Food Survey.

Sales of pizzas, frozen chips, crisps and other potato snacks also rose, while consumption of beef and lamb has dropped, according to the survey, published by the Ministry of Agriculture Fisheries and Food.

The Meat and Livestock Commission said high lamb prices probably accounted for the drop in consumption, while beef sales had been influenced by adverse publicity about BSE – mad cow disease.

The survey showed that fresh potatoes accounted for 40 per cent of household consumption by weight in 1993 compared with 48 per cent in 1983.

TECHNOLOGY

Microsoft on-line to the future

The software giant's planned information service for PC users is assessed by Louise Kehoe

Microsoft is set to bulldoze its way into the on-line computer services business with the launch of the Microsoft Network, unveiled by Bill Gates, chief executive, yesterday.

Gates described his vision of how data networks will change the way people work, learn and communicate by the year 2005 at the huge Comdex computer trade ehow in Las Vegas. He said his planned on-line service will be a significant step toward realising the full promise of personal computing by putting "information at your fingertips".

Microsoft's plans are not just futuristic dreams. The world's largest and most profitable software company aims to make the on-line services business a central element of its long-term growth. As well as investing heavily in the new business venture itself, Microsoft is forming partnerships with telephone companies, publishers and entertainment groups to create a broad range of on-line services.

In preparation for these services, Microsoft has developed software for users and information providers. The company is also proposing a business model that it believes will draw substantial third party investment to creating new interactive on-line services, greatly expanding the market.

The ultimate goal is to establish the Microsoft Network as a standard "platform", or technology foundation, for interactive on-line services in much the same way that its Windows program is tha software base for a huge variety of personal computer applications.

The Microsoft Network "will provide a setting for a worldwide electronic marketplace of products and services from Microsoft and third parties," the company says.

Access to the Microsoft Network will be one of the features incorporated in Windows 95, a new version of the widely-used PC operating system program, to be released next April or May. Purchasers of PCs loaded with the new software as wall as those who upgrade their current versions of Windows, will be offered a discount or free trial of the basic communications services of the Microsoft Network. These will include electronic mail, bulletin boards and chat lines.

But Microsoft plans to expand its on-line services quickly with the addition of newspapers and magazines, shopping catalogues, games and educational services as well as its own base of services. To draw publishers to its network, Microsoft is offering them flexibility in how they run and charge for their on-line services.

An on-line magazine on the Microsoft Network might, for example, charge a modest subscription fee but raise additional revenue from advertising. A shopping catalogue might offer free access but charge a transaction fee. Both will be able to control the look and feei of their on-line service to preserve their brand image.

"We will be more flexible than existing on-line services," says Bill Miller, Microsoft director of on-line services marketing. "Providers will not be limited in the ways in which they realise revenue for their services. More important, they will retain the majority of the revenues that their content and services generate."

Most of the current on-lina services charge users simply according to how much time they spend connected to the service and pay "content-providers" a flat 20-30 per cent share of revenue. For users, Microsoft'e plan will mean lower fees for basic services and the option to spend more on specific information sources. It also eliminates the biggest drawback to exploring new on-line services – the cost of connect time as you browse.

To support this new approach to the on-line services business, Microsoft has craated a sophisticated billing and tracking system that will be linked to credit card and direct bank debit processing centres.

Through an agreement with Visa, the biggest credit card provider, Microsoft is also creating tools to ensure security of on-lina transactions using encryption technology.

Microsoft has also developed softwara to make its on-line services easy to use. Methods for navigating the service will be based on the familiar Windows interface. One enhancement will be "short-cuts" – the ability to return to a favourite on-line service simply by clicking on an icon.

Companies could use such icons as a marketing tool, Miller suggests. They might, for example, send icons to users via electronic mail in much the same way that companies today distribute advertising materials in the post. Some users will throw away this "junk electronic mail", but others will be tempted to click on the icon to look at the products or services on offer.

By matching its approach to on-line services cloeely to conventional business practices, Microsoft expects to ettract a broad range of potential on-line service providers that have until now been struggling to figure out how to make money in the new world of interactive multimedia services.

Companies going on-line via the Microsoft Network will nonetheless be taking a leap into the unknown. It is yet to be seen how many of Microsoft'e Windows 95 purchasers will then sign on to the service.

Companies going on-line via the Microsoft Network will nonetheless be taking a leap into the unknown

In contrast, companies such as Mosaic Communications that are building software tools to support electronic commerce on the Internet – the international computer information network with an estimated 25m-30m users – have an established customer base.

"Companies that ara writing applications for the Internet today are going to be best poised to create businesses in interactive digital services," says Jim Clark, chairman of Mosaic Communications, a venture that sells Internet software. "Large companies are flocking on to the Internet because it has worldwide reach," be claims.

"The Internet is going to get bigger and bigger and bigger and the Microsoft Network will end up being a footnote. I think it will fail. In the long term it will become just another service on the Internet."

In the short term, however, Microsoft's plans are sending a chill through the commercial on-line services industry. CompuServe, Prodigy and America Online, the three leaders in consumer-oriented on-line services, which have about 6m subscribers, are scrambling to drop prices and upgrade their services in anticipation of the Microsoft Network.

Microsoft acknowledges that the perceived threat to established services may be overblown. "The notion that Microsoft enters the market and the world changes is crazy," says Miller. "From where I sit, we have a long way to go to match the infrastructure and customers and partners of the existing services." While Microsoft'e entry will undoubtedly create new interest in on-line services, existing services "are going to have an advantage over us in terms of what they can offer to customers".

But for how long? With some 20m to 30m copies of Windows 95 expected to be sold in the first 12 months, Microsoft could quickly overtake all its competitors and fulfil Gates's vision of "extending the Windows-based desktop [personal computer] to a worldwide community of people, ideas and information".

AP

Gates sees e world community of people, ideas and information 'at your fingertips'

Clive Cookson on an ambitious biotechnology network

Toolbox for genetic medicine

The most ambitious commercial network dedicated to research and development in genetic medicine so far was announced yesterday by Rhône-Poulenc Rorer, the Franco-American pharmaceutical group.

RPR has set up collaborations with 14 companies and academic research organisations in the US and France, to create what it says is "the world's first broad biotechnology network" in the related fields of gene therapy and cell therapy. At the same time it is establishing a new division, RPR Gencell, to co-ordinate the network.

Gene therapy involves treating disease by transferring new genetic material (DNA) to the patient's cells. Cell therapy means removing cells from the body and treating them with biological agents, such as growth factors, to increase their activity before returning them to the patient. The two techniques coincide in "ex vivo gene therapy", when DNA is added to cells removed temporarily from the body, to restore the function of a missing or defective gene.

"Cell and gene therapies offer the opportunity to cure disease at its origin, while improving quality of life, reducing healthcare costs and developing new preventive practices," says Robert Cawthorn, RPR chief executive.

"It is clear that a variety of technologies – a toolbox, if you will – are needed if we are to conquer diseases such as cancer, Alzheimer's and cardiovascular disease. Our answer is RPR Gencell, an integrated network of external and internal scientists that will share the 'tools' and expertise necessary to build successful cell and gene therapeutics on an accelerated timescale."

According to Thierry Soursac, general manager of RPR Gencell, the company has invested \$300m (£190m) over tha past two years in setting up the network. RPR expects to spend about \$100m next year on R&D in gene and cell therapy.

Other international drug companies, such as Sandoz and Roche of Switzerland, Glaxo and SmithKline Beecham of the UK, and Eli Lilly of the US, have made substantial investments in external R&D though alliances with biotech companies and universities. But Soursac claims that the RPR network is better planned and more comprehensive in its chosen field.

"The others have less a network and more a succession of investments," he says. "We have built something from the ground up, with clear vision and therapeutic focus."

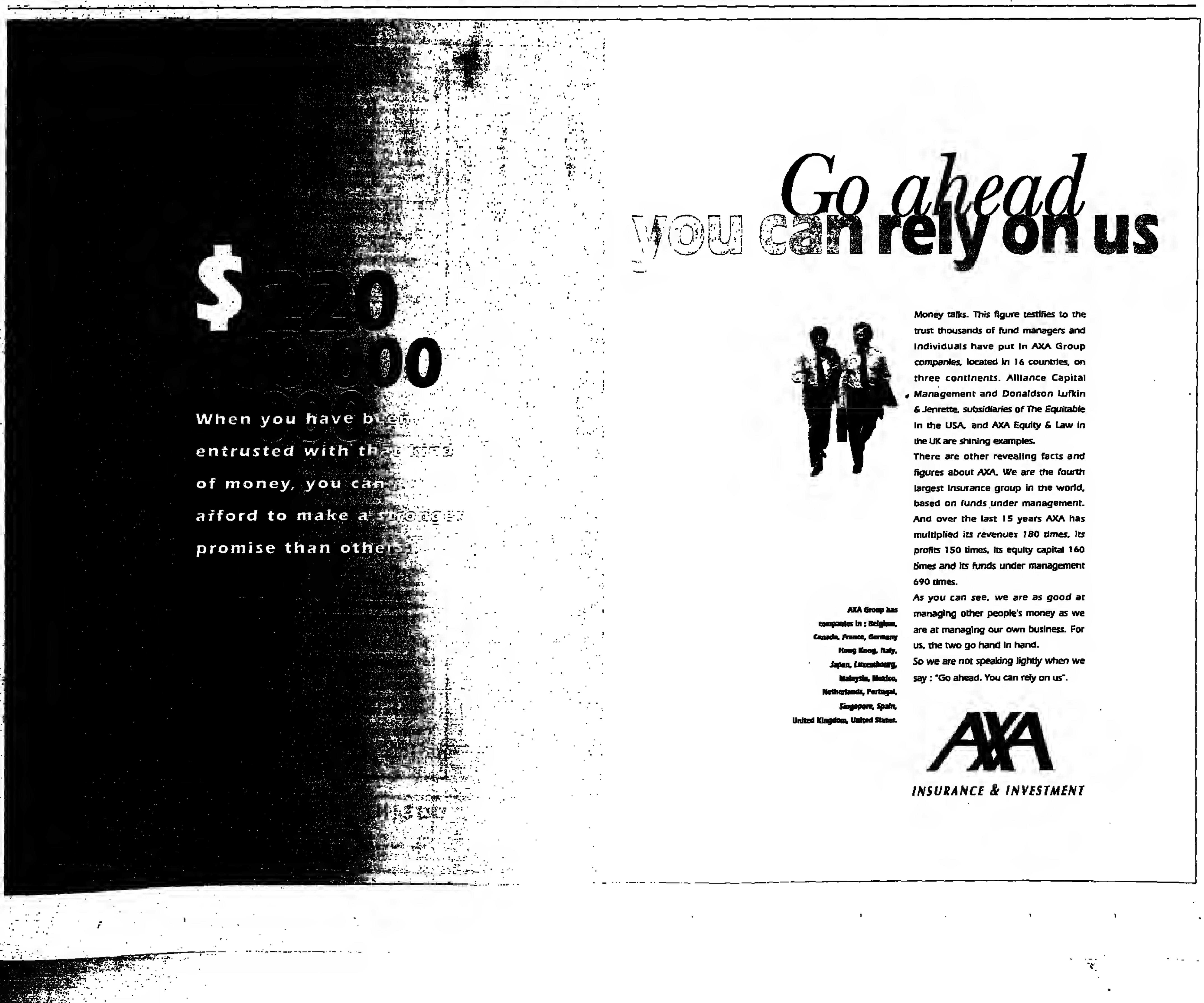
According to Soursac, RPR was able to set up its collaborations relatively inexpensively, without the huge up-front payments that some other drug companies have made to biotech partners, because its partners can see the benefits the network will bring them.

"For example, Ed Rubin [of the Lawrence Berkeley Laboratory Human Genome Centre, California] is floating on tens of millions of dollars [in grants from the US government'e gene sequencing programmes]," Soursac says. "He doesn't need more money. What attracted him is the platform of technology offered by the club."

Rubin agrees that his centre is less interested in more funding than in using the RPR network to speed up the application of newly discovered genes, particularly those predisposing to cardiovascular (heart) disease. "We have good candidate genes," he says. "We need better tools to deliver them to the patient."

The experimental 'vectors' used to carry new genes into human cells include various viruses and tiny fat-like particles called liposomes. But there is also evidence that simply injecting the genes as 'naked DNA' can work well in some circumstances.

The RPR network had six therapies in clinical trials, with two more trials about to start. The network will focus initially on cancer, cardiovascular disease and disorders of the central nervous system.



MANAGEMENT: THE GROWING BUSINESS

Second-hand goods treated as new

Ian Hamilton Fazey looks at EU consumer product safety laws

New EU consumer protection and product safety laws which took force in the UK last month have introduced criminal penalties of which many UK companies are still unaware, according to the Institute of Export's legal advisers.

A statutory instrument amending UK company law came into effect on October 3, enforcing a 1992 directive from the Council of Ministers. The main thrust is to extend consumer protection and product safety regulations to second-hand goods which were previously exempt.

Second-hand goods are now expected to perform as new, however illogical and unsound this may seem. The new law is enforceable throughout the EU by local trading standards officers.

"No one is sure how big the market is for reconditioned goods, but it must be worth hundreds of millions of pounds domestically," says Michael Thornton, a partner in Laytons, the institute's solicitors. "The bulk of the trade is in white goods, brown goods and teltronics."

There are some large and medium-sized companies supplying second-hand and reconditioned goods to world markets – eastern Europe and parts of the Third World are targets – but much of the trade is among hundreds of small businesses, often operating from poorly-sited, retail units long abandoned by high street traders.

They repair and recondition consumer durables such as refrigerators, microwave ovens, vacuum cleaners, lawnmowers, television sets, video recorders, cameras, and electronic equipment. Many are sole traders whose business has grown from doing local repairs.

"Our experience so far is that people haven't really thought about whether their commercial terms of trading still protect them," Thornton says. "If someone sells second-hand vacuum cleaners, he or she is now treated as a manufacturer of primary goods.

"Moreover, if they import their supplies into the EU already reconditioned, they are now regarded under EU and UK law as their manufacturer."

Previously, no warranties applied to second-hand goods other than the normal ones under the Sale of Goods Act, which meant they had to be basically fit for the purpose for which they were sold. Thornton says a Warrington supplier of reconditioned white goods to Spain has already provided a foretaste of what may be coming.

Spain enforced the directive ahead of the UK but the owners of the Warrington company did not worry because they felt its BS5750 quality controls, coupled with a relatively high margin on many of its second-hand goods, would enable them to absorb the costs of putting faults right or giving people their money back.

But this proved optimistic once the second-hand goods could be treated by customers as though they had been bought brand new. The company has been forced into insolvency because the cost of rectifying comparatively few faults has wiped out its margin.

An additional aspect of the directive which is concerning lawyers is that manufacturers and suppliers must also worry about what use a product might be put to, even if it is far removed from the purpose for which it was sold.

Thornton says: "The seller now has to ask who is going to use these goods, or who might use them. Will this lead to liabilities over and above what they have been used to?"

The new regulations also allow the authorities – in the UK's case, local trading standards officers – to force a general recall of goods sold, with attendant publicity, if a recurring fault is found.

Prosecution is possible if a supplier fails to recall goods when ordered to do so. Trading standards officers will also be able to contribute details to a Europe-wide database as part of a trans-EU monitoring system.

Criminal sanctions now include three months' prison for guilty directors and senior managers and fines of up to £5,000 on summary conviction. The regulations are silent on penalties that might be imposed by higher courts for conviction on indictment.

Without some changes, the chancellor's 'best ever' measures for small companies will flush out only minimal equity capital — Tony Andrews

Wanted: a braver Budget

Richard Gourlay on why last year's moves to encourage more investment may have been too cautious

A year ago, Kenneth Clarke, chancellor of the exchequer, introduced three measures in his Budget that were designed to increase the flow of equity capital to small companies.

The Enterprise Investment Scheme, Venture Capital Investment Trusts and extension of capital gains tax roll-over relief together represent one of the most concerted efforts to use fiscal incentives to coax life into young companies.

Small-business watchers described the Budget as "the best ever" for small business. But as the chancellor polishes his plans for another Budget on November 29, how have last year's measures affected small companies' ability to raise capital?

The answer is very little at the moment, as investors have been slow to come forward. Some accountants and intermediaries say the tax breaks are a well-intentioned attempt to address a shortage of early-stage finance, but that there must be changes if they are to be effective.

● **Enterprise Investment Scheme.** Intended to finance non-property-based trading companies, the EIS replaced the Business Expansion Scheme last December after the latter had become a vehicle almost exclusively used for assured tenancy investment schemes.

The ghost of the 1980s property boom lives on in the new EIS rules, however. To prevent the growth of property-based schemes, the new rules require a qualifying company to have no more than 50 per cent of gross assets in land and buildings.

As John Orpen, partner at Coopers & Lybrand says, there are many companies, including small manufacturers, whose main asset is their building.

A number of EIS schemes designed to finance perfectly legitimate trading companies have therefore fallen at this property hurdle; investors have been worried that if balance sheets weaken as a result of poor trading, they risk losing their EIS tax benefits by breaching this property rule.

Orpen believes speculation on property value inflation no longer figures in the minds of investors. The Enterprise Investment and Business Expansion Schemes Association agrees and has asked the chancellor in its Budget submission to drop the property rule.

There is also a problem of perception. The most recent BES schemes were tax-driven. Now the EIS is addressing investors whose prime concern must be the prospects of the underlying business.

The 20 per cent up-front tax relief, down from 40 per cent under the most recent BES schemes, is not wildly exciting – sponsors will charge about 8 per cent to issue an EIS prospectus, leaving a net tax break of only 12 per cent.

The uptake has consequently been low. Where the government was expecting about £125m to be invested in EIS schemes this year, Tim Villiers, chairman of the EIBESA, says a fraction of this has been raised.

"Jerry's Home Stores was quickly over-subscribed but nothing else has raised its full subscription," Villiers says of the schemes. The EIS Company, a London-based consultancy, says only about a dozen schemes have been launched.

Robert Lowe, director of Johnson Fry, the largest sponsor of BES, says his company has launched no EIS schemes. "We don't think it makes sense for major sponsors," Lowe says. "What may be happening is that a sort of cottage industry is developing at a regional level with local accountants putting together deals. Maybe this is what was intended [by the government]".

● **Capital gains tax roll-over relief.** The most recent change to this law last November allows investors to shelter capital gains by reinvesting in a private trading company up to three years after the gain is realised.

Not only was the deferral of capital gains tax liability extended to cover the sale of almost any asset, the investor need now only re-invest the gain to receive the relief.

Orpen and other intermediaries believe roll-over relief could be the most significant of the chancellor's capital-raising instruments as there are no restrictions on the amounts that can be invested.

Inevitably, tax-based products are beginning to emerge. Johnson Fry has launched a scheme to raise up to £50m for Pioneer Oil and Gas, a private company that will buy North Sea assets already producing gas and oil and with proven reserves. Because investors are deferring their CGT liability, they are effectively receiving an interest-free loan from the Inland Revenue. It is within the new CGT roll-over relief rules, but it hardly constitutes support for capital-constrained trading companies.

● **Venture Capital Investment Trusts.** After months of listening to the pleas of the investment trust and venture capital communities, the government is likely to produce new rules in the next finance bill. The most recent proposals suggested the VCITs would look like personal equity plans that invest in unquoted companies.

Much of the lobbying suggested the VCITs would fail if the government did not raise the proposed maximum investment in each portfolio company from £1m and did not introduce some form of front-end or CGT roll-over relief.

It is early days for all three schemes. None of the schemes are well established – or well understood yet by investors. Furthermore, the stock market's recent performance has not encouraged investors to think of buying shares, let alone hold some of their portfolio in unquoted investments.

No one expects the government to make sweeping changes in this year's budget. But the government would appear to have erred too far on the side of caution, some small company observers say. Unless it listens to some of the criticism, the schemes may flush out only a minimal amount of expansion capital despite the early promise.

In a Nutshell

Heavy load for directors

A recent surge of legislation has multiplied the responsibilities of directors and increased the chances that they will incur personal liability, says accountants firm Kidsons Impey. Acting with honesty and integrity may not be enough to ensure directors do not fall foul of civil and criminal law.

In a 22-page booklet, Kidsons Impey sets out the responsibilities, looks at director's liabilities, how they should handle transactions with their companies and possible protective measures. Kidsons Impey says smaller company directors are most at risk when they do not have adequate financial information and stresses the need for up-to-date management accounts.

Directors' Responsibilities – Available free from Kidsons Impey, Spectrum House, 20-26 Cursitor Street, London EC4A 1HY

Watch how to plan staying afloat

A third of businesses fail in their first three years mainly because of poor planning, Barclays says. Most companies that have survived their first year recognise the value of developing a proper business plan before setting out. Barclays is offering a free video on planning, sales and marketing and market research to any business opening an account before next February.

A more comprehensive description, including a model business plan, can be found in the forward to the seventh annual Guide to Venture Capital in the UK and Europe, published by Venture Capital Report.

Including appendices on cash flow projections, the loan guarantee schema and other sources of finance like the DTI's Smart technology awards, the guide provides useful material for pre start-up businesses.

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LEGAL NOTICES

NOTICE OF CREDITORS' MEETING UNDER SECTION 48(2) OF THE INSOLVENCY ACT 1986

Company Name: Atlantic Equipment (1992) Limited.
Registered in England
Company Number: 2674131
Principal Place of Business: Unit A, 120 Oyster Lane, West Byfleet, Surrey KT14 7JG

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of creditors of Atlantic Equipment (1992) Limited will be held at the offices of Coopers & Lybrand, St. Andrews House, 20 St. Andrew Street, London EC4A 3AY on 28 November 1994 at 11.00am for the purpose having laid before the meeting a copy of the report prepared by the Joint Administrative Receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on Creditors' Committees by or under the said Act.

Creditors are only entitled to vote if:

(a) they have delivered to me at the address shown below no later than noon on 25 November 1994, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and

(b) there has been lodged with me any proxy which the creditor intends to be used on his or her behalf.

(1) The original proxy signed by or on behalf of the creditor must be lodged at the address mentioned; photocopies (including faxed copies) are not acceptable.

(2) Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting.

7 November 1994

T R Harris
Joint Administrative Receiver
Coopers & Lybrand, Hillgate House, 26 Old Bailey, London EC4M 7PL.

Court of Session, Scotland
PETITION
OF

CAIRN ENERGY PLC, a company incorporated under the Companies Acts and having its registered office at Cairn House, 61 Dublin Street, Edinburgh, EH3 6NL

FOR

Confirmation of Reduction of Share Premium Account

In the above Petition an Interlocutor was pronounced by the Court of Session in the following terms:-

Edinburgh, 9th November 1994

The Lords appoint the Petition to be intimated on the walls in common form and to be advertised once in the Edinburgh Gazette and once in each of the Scotsman and the Financial Times newspapers; appoint all parties claiming an interest to lodge Answers thereto, if so advised, within 21 days after such intimation and advertisement.

"Donald M Ross, IPD"

of which intimation is hereby given

Shepherd & Wedderburn WS
Saltire Court
20 Castle Terrace
Edinburgh
Agents for Petitioners

No.006139 of 1994

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

IN THE MATTER OF
STORM GROUP PLC
and
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 26th day of October 1994 confirming the reduction of the above company's share premium account by £1,728,000 was registered by the Registrar of Companies on the 27th day of October 1994.

Dated this 11th day of November 1994
Edge & Ellison
13/19 Southampton Place
London WC1A 2AJ
Ref: AWR/9626

Solicitors for the above-named Company

All Advertisement bookings are accepted subject to our current Terms and Conditions, copies of which are available by writing to The Advertisement Production Director, The Financial Times, One Southwark Bridge, London SE1 9HL. Tel: +44 71 873 3000 Fax: +44 71 873 3064

MINISTRY OF PRIVATISATION REPUBLIC OF POLAND

The Minister of Privatisation acting on behalf of the State Treasury, in accordance with the Privatisation Law (Article 23, 13 July 1990) invites interested parties to submit expression of interest for the acquisition of minimum 10% shares in

ŚLASKIE ZAKŁADY PRZEMYSŁU CUKIERNICZEGO

HANKA

SPÓŁKA AKCYJNA

The company is located in Siemianowice Slaskie near Katowice and manufactures: chocolate, chocolate covered products and hard candy. The company employs 456 people and had sales of 170 bln Pzl in 1993 and 100 bln Pzl in first six months of 1994.

In accordance with the Privatisation Law (Article 24) up to 20% of shares will be offered to the company's employees on preferential terms. *The State Treasury will retain 5% of Company's shares* as a reserve for the State Treasury that can be used for reprivatisation purposes (Declaration Number 86 of the council of Ministers dated October 4, 1993).

This invitation is directed to *strategic investors interested in a majority stake.*

Submission of expression of *interest should be by fax within two weeks of the date of publication of* this advertisement. After signing a Letter of Confidentiality, the potential investors will have the right to visit the company. Within five weeks from the date of publication of this advertisement, potential investors will be provided with an information memorandum. Within three weeks thereafter they should present their indicative offer.

The Minister of Privatisation *reserves the right to cancel this invitation and not to take up* negotiations without giving reasons.

Please submit your written proposals by fax to:

Andre Mierzwa
Director, Privatisation Services
Central Europe Trust Co Ltd.
Fax: (48-2) 621 75 73

CENTRAL EUROPE TRUST

GREEK EXPORTS S.A.

FOUNDED AND OWNED BY ETBA SA

ANNOUNCEMENT OF A SECOND REPEAT PUBLIC AUCTION FOR THE SALE OF THE ASSETS OF VIEL S.A. - COATED ABRASIVES INDUSTRY, NOW UNDER SPECIAL LIQUIDATION

GREEK EXPORTS S.A., established in Athens at 17 Panepistimiou Street, in its capacity as liquidating company following decision No. 9583/1992 of the Athens Court of Appeal and in accordance with Article 46a of Law 1892/90 as complemented by Article 14 of Law 2000/91 and supplemented and amended by Article 53 of Law 2224/94 and within the framework of written instructions dated 20.9.1994 from ETBA S.A. (basic creditor and shareholder of VIEL S.A.)

ANNOUNCES

a second repeat public auction for the highest bidder with sealed, binding offers for the purchase, as a whole, of the total assets of VIEL S.A. now under special liquidation.

BRIEF DESCRIPTION OF THE COMPANY

VIEL S.A. was established in 1981 (Govt. Gazette 2627/81) and set up a modern industrial unit for the production of coated abrasives in the Patras industrial estate on a plot of about 12,806m². The factory has a surface area o 3,568 m² and auxiliary buildings an area of 586m². The basic machinery was built and installed by BRUCKNER of Germany and JGEL of Austria.

During the first months of liquidation the company was semi-operational. However, in April 1993, as a result of serious financial problems, the factory was closed and is now non- operational.

TERMS OF THE AUCTION

1. Interested parties are invited to receive from the Liquidator the Offering Memorandum and draft Letter of Guarantee in order to submit a sealed, binding offer to the notary public appointed to the auction, Mrs Andriani-Dimitra Zapheiropoulou-Economopoulou, 18 Voukourestiou St., 5th floor, Tel. +30-1-361.8249 **up to Monday, 5th December 1994 up to 1400 hours.**

Offers must be submitted in person or by a legally authorised representative.

Offers submitted beyond the stated time limit will not be accepted or considered.

2. The bids will be unsealed before the above-mentioned notary on **Tuesday, 6th December 1994 at 1200 hours**, with the Liquidator in attendance. Parties having submitted bids within the prescribed time limit are also authorised to attend.

3. The sealed, binding offers must clearly state the offered price and method of payment (cash or credit, the number of instalments, the time *period over which the payments are to be made at a fixed interest rate during the entire period of settlement).*

4. Offers shall be null and void unless accompanied by a letter of guarantee from a bank legally operating in Greece. The letter will be valid until the signing of the contract and will be to the amount of ***fifty million drachmas (50,000,000)*** *for VIEL S.A. - COATED ABRASIVES* INDUSTRY.

5. The Company's assets and all fixed and circulating elements that comprise them, immovables, movables, claims, rights etc. are to be sold and transferred as is and where is, and, more specifically, in their actual and legal condition and location on the date on which the sale contract is signed, regardless of whether the Company is operating or not.

6. The Liquidator, the Company and the creditors representing 51% of the total claims against the Company (Law 1892/90, article 46a, para. 1 as in force), shall bear no liability for any legal or actual defects or for any deficiency in the particulars of the effects for sale or rights, nor for their incomplete or faulty description in the Offering Memorandum and in any correspondence. In the event of inconsistencies, entries in the Company's books, as they stand on the date of signature of the sale contract, shall prevail.

7. Prospective buyers, hereinafter referred to as Buyers, shall be obliged, on their own responsibility and due care, and by their own means and at their own expense, to inspect the object of the sale and form their own judgement and declare in their bids that they are fully aware of the actual and legal condition of the assets for sale. The Buyers are hereby reminded that, in accordance with the provisions of the law, the Buyers, having agreed in writing to maintain confidentiality, may receive the Offering Memorandum and may have access to any information they may require concerning the Company for sale.

8. Offers must not contain terms upon which their bindingness may depend or be vague with regard to the height of the amount offered or its method of payment or to any other essential matter affecting the sale.

9. On all points concerning the business plans of prospective buyers (job positions, height of investments, duration of operation, etc.) as well as on any other terms that may be agreed upon, the Buyer must accept clauses and other terms which will guarantee adherence to commitments. In order to guarantee payment of the amount on credit, the sale contract will contain a dissolution clause and first mortgage, or other guarantees (bank guarantee, etc.) to be considered adequate by the creditors.

10. The highest bidder is the one whose offer has been evaluated by the liquidator and judged by the creditors as being the most satisfactory.

11. In the event that the party to whom the assets for sale have been adjudicated fails to his obligation to appear and sign the relative contract within twenty (20) days of being invited to do so by the Liquidator, and abide by the obligations contained in the present announcement, then the amount of the guarantee stated above is forfeited to the Liquidator to cover expenses of all kinds, time spent and any real or paper loss suffered by himself and by the creditors with no obligation on his part to provide evidence of such loss or consider that the amount has been forfeited as a penalty clause, and collect it from the guarantor bank. Letters of guarantee accompanying the offers of other bidders, except the highest bidder, will be returned to them immediately after the adjudication of the auction.

12. The Liquidator bears no responsibility or obligation towards participants in the auction, both with regard to the drafting of the evaluation report on the bids or to his proposal of the highest bidder. Also he is not responsible and has no obligation to participants in the auction in the event of a cancellation or nullification of the auction for any cause or reason whatsoever.

13 Participants in the auction who have submitted bids do not acquire any right and can make no demand or claim on the strength of this announcement or of their participation, against the Liquidator or the creditors for any cause or reason.

14. *The transfer expenses of the assets for sale* (taxes, VAT charges on the value of the movables, stamp duty, notary fees and mortgagor fees, rights and other expenses for drawing up topographical diagrams as per Law 651/1977, etc) will be borne by the buyer.

15 Participation in the auction implies acceptance of the terms of the present announcement.

For any further information please apply to:

a) GREEK EXPORTS S.A. 17 Panepistimiou Street (1st floor), Athens, Greece, Tel. +30-1-324.3111 - 115 Fax: +30-1-323.9185

b) The head office of ETBA S.A., Holdings Department, 87 Syngrou Ave, (4th floor) Athens, Greece. Tel. +30-1-929.4611 and 929.4613

BUSINESS AND THE LAW

Drugs imports advert ban upheld

EUROPEAN COURT

A German ban on advertising of pharmaceuticals imported from other EU member countries was justified under Rome treaty free movement rules, the European Court of Justice ruled last week.

The Court said the ban was a restriction on internal market trade which could be prohibited under the Rome treaty, but was justified on public health grounds.

In the absence of Community harmonisation measures, therefore, the ban benefited from the exception to the treaty prohibition of free movement of goods restrictions.

The Saarbrucken Landgericht had referred two questions on the interpretation of the Treaty free movement of goods rules to the ECJ.

The questions arose in the context of litigation between Lucien Ortscheit and Eurim-Pharm, two German pharmaceutical importers. Lucien Ortscheit sought an order that its competitor cease advertising foreign imports which had not been approved by the German authorities. Under German law, all pharmaceuticals, including imports, must be approved by the responsible Federal authority prior to marketing in Germany. But there is an exception for certain pharmaceuticals authorised in their country of origin which may be lawfully marketed when ordered by pharmacists in limited quantities to supply prescriptions.

The advertising of this specific category of imports is prohibited by the German law (*Heilmittelwerbegesetz*) relied on by Lucien Ortscheit. Since April 1992, Eurim-Pharm had advertised in the professional medical press the availability of imported pharmaceuticals unauthorised in Germany.

The ECJ said the advertising ban was a restriction on the free movement of goods since it applied only to imports.

It did not affect the marketing of domestic products in the same way as imports originating in other member countries. Therefore, it could not escape the Rome treaty prohibition of restrictions on the free movement of goods.

In particular, the advertising ban could potentially restrict the volume of pharmaceutical imports concerned by depriving the market of information on their availability.

On whether the ban was justified on public health grounds, the Court said it was covered by the treaty exception to the prohibition of import restrictions for a number of reasons. First, the treaty exception remained applicable in the field of production and marketing of pharmaceuticals insofar as Community harmonisation of national rules was incomplete. In particular, the 1992 directive (Directive 92/28/EEC) on the advertising of drugs for human use was not in force at the time material to the German dispute.

The ECJ then confirmed that public health was among the foremost interests protected by the exception to the treaty prohibition of free movement of goods restrictions. The Court said the member countries were free to decide the degree of health protection they provided subject to the limits imposed by the treaty. The exception, therefore, would apply only if there was no method less restrictive of trade than the advertising which was equally effective for its purpose.

It concluded that the advertising ban was necessary to prevent evasion of the German pharmaceutical authorisation regime. Since there was not yet a Community approval system or reciprocal recognition of national authorisations, member countries were required by the 1965 pharmaceutical harmonisation directive (modified in 1989) only to permit the marketing of pharmaceuticals authorised by their responsible national authority.

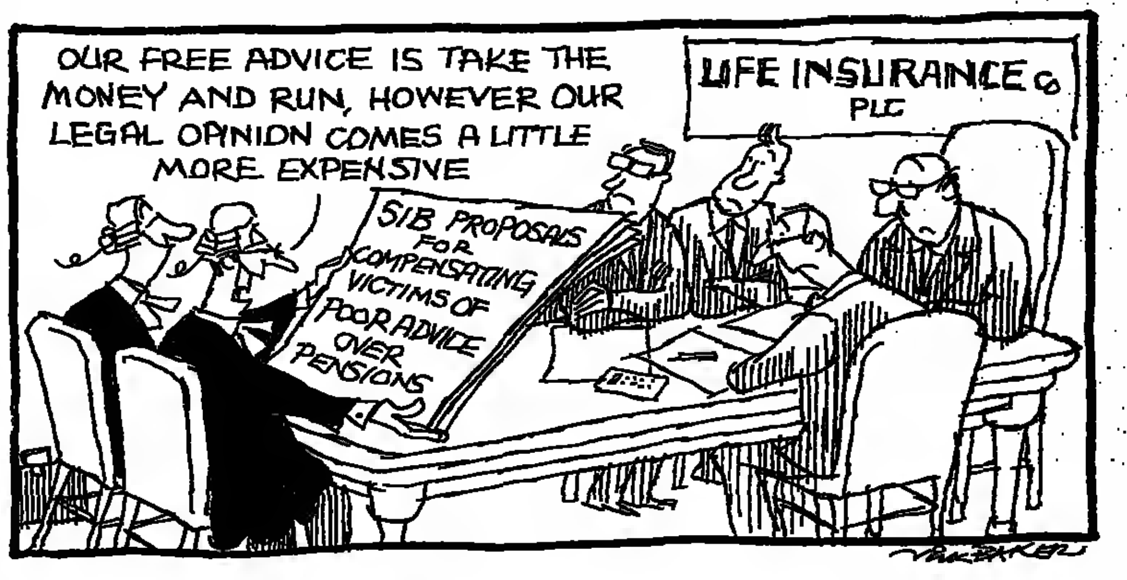
The advertising ban was intended to maintain the exceptional character of the specific authorisation exception for imports so that the normal authorisation requirement would not be systematically evaded. If there was no such ban, there was a risk that manufacturers would obtain authorisation in member countries where standards were less strict, and then import the pharmaceuticals into Germany on the basis of orders resulting from advertising campaigns.

C-320/93, Lucien Ortscheit v Eurim-Pharm, ECJ 5CH, November 10 1994.

BRICK COURT CHAMBERS, BRUSSELS.

High risk of a poor financial product

A legal challenge is likely to plans to compensate people badly advised on pensions, say Robert Rice and Alison Smith



Proposals published last month by the Securities and Investments Board, the City's chief regulator, for compensating people who took out a personal pension on poor advice were clearly designed to reduce the risk of court battles on the issue.

For individual victims of poor advice, the SIB scheme may well have removed the need to sue. But several of the life companies and independent financial advisers, which must foot the compensation bill, are far from happy with the scheme and some have consulted lawyers about possibly mounting a court challenge.

No life company has expressed qualms about compensating those wrongly advised by its direct sales force or by a "tied agent" - a company which sells only the insurer's policies. They are less sanguine about liability for poor advice from independent financial advisers (IFAs) selling their products.

Life companies also believe others have responsibilities to bear. First among them is the government, which promoted personal pensions with such enthusiasm. Second are the occupational pension schemes whose rules for calculating the value of a lump sum which could be transferred by someone moving to a personal plan is open to challenge.

No legal actions have been launched yet by insurance companies challenging SIB's proposals. Mr Dominic Clarke, a partner of City solicitors Herbert Smith, says nobody wants to be the first to challenge the compensation scheme because of the bad publicity it may generate. But the potential for litigation is enormous.

In theory the SIB proposals are directed at the front line regulators, such as the Personal Investment Authority, which are supposed to turn them into rules or guidance for the life companies which they could be penalised for not following. But it is clear that the very status of the proposals may be the subject of a legal challenge.

The SIB plan urges occupational schemes to take back people who have opted out of an occupational pension scheme and to allow retrospective admission to those who decided on poor advice not to join a scheme in the first place. If scheme trustees do not want to take people back, the life company or IFA is supposed to "top-up" the personal pension so that, at retirement, the benefits the occupational scheme would have offered can be matched.

In the case of transferees - those people who have left a company and then transferred their occupational pension entitlement to a personal plan (where occupational schemes are likely to be less keen to have people back) - a top-up is also SIB's preferred method of compensation.

Only where someone has already retired would compensation be an immediate cash sum.

But, says Mr Clarke, if you take the case of a transferee who received poor advice from an IFA, his remedy in law would be an action for damages for negligence against the IFA - proceedings to which neither the trustees of an occupational scheme nor the life company would be party.

The SIB scheme is proposing a form of remedy for the loss suffered by victims of poor advice which has no apparent basis in law. The principle of a non-cash based compensation scheme may be sound, he says, but there is some doubt as to whether it is enforceable in law.

Mr Ian Cault, another Herbert Smith pensions partner, says it is not difficult to see the potential for conflict between occupational scheme trustees and life companies.

The big questions are under what circumstances will trustees allow reinstatement of those who opted out, and on what terms? If schemes prove reluctant to have people back life companies and advisers are going to be left holding the baby.

This could be particularly hard for mutuals, (building societies), which sold through IFAs who will be left with no alternative but to dip into reserves set aside for "with-profits" policyholders to meet the costs of top-ups.

In life companies, the burden of paying for top-ups will fall on shareholders. Neither group is likely to be happy with this prospect and both may decide to sue the company or its directors for negligence or for breach of fiduciary duty.

That may force life companies into pre-emptive defensive legal action, not in the belief they can escape without contributing to compensation altogether, but to establish that the company had no option but to contribute, thus protecting it from challenge by its own policyholders or shareholders.

But the most difficult and immediate questions relate to policies sold by IFAs. Here, says Mr Clarke, there is a potentional for dispute in almost all cases.

The expectation is that where the business was sold through an IFA, the IFA will foot the bill because it gave the poor advice. The SIB scheme envisages IFAs relying on their professional indemnity insurance to meet compensation claims.

But professional indemnity cover can often be lost if a firm makes a settlement or admits liability to a client without the agreement of its insurer. Or the IFA may have received misleading marketing information from the life company which it relied on in selling the personal pension. So there is significant potential for litigation between professional indemnity insurers, life companies and IFAs.

The life companies' most aggressive noises, however, relate to the payment of compensation for wrongly-advised clients of independent advisers which have already gone out of business or which do so in the course of reviewing their potential liability for poor advice.

This may end up being a relatively small part of the total compensation bill - which some estimates put at about £2bn - but the very uncertainty increases the inclination to consider legal action.

In the usual way, the bill for such compensation would be met by the Investors' Compensation Scheme, which is funded by the financial services industry. The retail financial services sector - where the personal investment authority is the main regulator - would be expected to foot the bill for compensating clients of companies which have gone out of business in its own sector, up to an annual limit of £100m.

There is a formula for assessing how the ICS bill each year should be divided within the sector, but the SIB plan deliberately failed to provide a formula for dividing costs for personal pension claims after next spring.

BAT Industries, which owns insurers Allied Dunbar and Eagle Star, said this month it would consider legal action against the SIB if life companies which operate mainly through a direct sales force, as it does, were made to contribute towards compensating clients of former independent advisers.

Another potential area of challenge would be if other businesses within the retail financial services sector - such as unit trust companies - found themselves drawn into the compensation arrangements through paying levies to the Investors' Compensation Scheme simply as a result of being in the same sector, even though they had not sold any pensions at all.

Mr John Pearson, a pensions partner of City solicitors Lovell White Durrant, believes a note of realism needs to be struck, however. All the dire predictions about the total compensation bill assume that most investors will be able to establish liability by a life company or an IFA. But this may be harder than it looks, he says.

For an investor to succeed in proving an entitlement to compensation, he or she will have to show: first, that the poor advice amounted to a material compliance fault under the regulations in force at the time; second, that the investor suffered actual or prospective loss; and third, that the loss was a result of the compliance default.

The assumption, he says, is that if an investor can prove the first two elements the third will follow automatically. But in many cases that is not at all certain.

Amid the talk about legal action, two points of realism are already coming through.

The first is that the probability of a challenge to the SIB's proposals is directly related to the likely size of the compensation bill, and how quickly the amount is known.

The bad publicity and costs of a legal action to resist contributing to compensation for pension victims are easier to justify the higher and more uncertain the potential payments involved.

The second point is that even if the law is unclear now about the ability of life companies to contribute towards compensating the clients of others, the prospects of a successful and effective legal challenge by a life company may be slight. One life company chief executive explained why he put no faith in a legal action: "If there is any doubt, the government will simply make sure that the law is clarified so that we can contribute," he said.

IFAs may have less qualms about litigating, however, particularly if the alternative is bankruptcy. Either way the lawyers are agreed: a legal challenge is inevitable.

PEOPLE

Iveson quits MMB and returns to the north

Alan Iveson, managing director of the Milk Marketing Board until its abolition on November 1, has become chief executive of Teesside Training and Enterprise Council.

Iveson, 43, spent 21 years with the MMB; as md of the 61-year-old business was responsible for a £2b annual turnover.

He says he could have remained within the dairy sector but decided to opt for a change by moving to the Tec. "It's an opportunity to make a direct contribution to the improvement of the local community," he says.

He has come into Teesside Tec as it gears up for a new challenge, thanks to Samsung, the Korean industrial group which last month announced its choice of Teesside for a £450m electronics complex. Middlesbrough-based Teesside Tec, which is providing £5m towards the project, is to set up a special training centre for Samsung.

"Teesside must be doing something right if it can get a big player like that," says Iveson, who sees scope for promoting a greater team approach between the area's employers, local authorities, educational establishments and economic regeneration bodies.

He believes his MMB experience of negotiating with UK government departments and the European Community, representing the UK dairy industry, will be of use in his new role.

"I understand how we might get these relationships working for Teesside," he says.

Originally from Derbyshire but based in Surrey for the MMB, Iveson welcomes the chance to move back to the north of England. Ironically, his predecessor as the Tec chief executive, John Howell, has gone in the reverse direction: originally from south London, last month he became chief executive of Solotec, covering Bexley, Bromley, Croydon and Sutton. *Chris Tighe*

Bebb quits Senior board

David Bebb is resigning from the board of Senior Engineering and leaving the tubular products, ducting and thermal engineering company after 32 years.

The announcement comes less than a month after Senior issued a profits warning because of cost over-runs on a significant UK contract, and a shortfall in orders, in its thermal engineering division which Bebb ran for four years until this summer.

Then Kevin Gamble, who runs Senior's construction services division, assumed the additional responsibility for thermal engineering, and Bebb, an Australian, was put in charge of developing Senior's Asia Pacific interests. *Andrew Baxter*

■ Peter Wrightson has been promoted to the board of SCHOLL as md of Scholl Consumer Products on the retirement of Ray Thomas.

■ John Gill, formerly sales director BOC's Ohmeda division, has been appointed sales and marketing director for RACAL Health and Safety.

■ Kerry McDonagh, formerly head of dealer operations at Leyland DAF Trucks, has been appointed marketing director of CONTINENTAL Tyre and Rubber Group.

■ Ken Wright, formerly operations director, has been appointed assistant md, and Jim Cotton-Betteridge, formerly director and general manager of Royal Mail International, marketing director, at ROYAL MAIL.

■ Melvyn Bird has been appointed sales and marketing director of James Gibbons Format, part of TT GROUP.

■ Andy Weston-Webb, formerly marketing director of Colgate Spain, has been appointed European marketing director of McVitie's, part of UNITED BISCUITS.

Cheung seeks further Fortune

Barry Cheung - the new man at the helm of Fortune Oil, the London-listed oil company that has just completed its first joint venture in China - may be worth watching.

He peppers his conversation with jargon about strategic perspective and streamlining Fortune's board: words to gratify a management school (he has a Harvard MBA and is an ex-McKinsey consultant), but which conceal a nuts-and-bolts attitude and solid understanding of running a company spanning two countries and cultures.

Cheung, 36, was born in Hong Kong to which his parents had emigrated from the northern Chinese provinces of Hubei and Shandong, and educated at Sussex University. He spent many years living in the UK and Los Angeles and carries a US passport. However, he recently made his first ever trip to Beijing - and says it felt like going home.

A former member of the Central Policy Unit, a Hong Kong government think tank, Cheung nevertheless reels off a string of criticisms of the colony's government. He questions an educational system that produces students proficient in neither English nor Cantonese, and says Hong Kong's disputed port extension may turn out to be a white elephant.

But his commitment to local culture appears rock solid. His children attend Chinese schools, rather than the international institutions favoured by expatriates and Chinese who have lived overseas.

Less than a month after Cheung took over as chief executive, Fortune has just completed a $25m single point mooring oil terminal in Maoming which will enable the local oil refinery to increase its capacity substantially. It is the company's first joint venture in the world's third largest economy and Cheung is confident that it is just the first of many. *Louise Lucas*

Finance moves

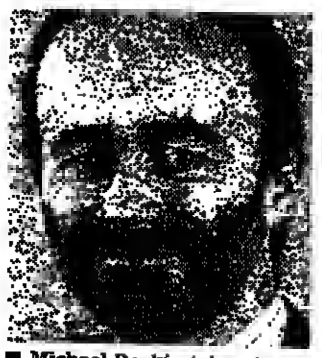
UBS, the securities house, has announced changes in its convertible and warrant business.

Mark Larkin, head of convertible trading, has resigned suddenly. The fall in the bond markets is believed to have led to heavy losses in convertible trading, although UBS would not comment on its trading position.

Larkin, who resigned last Tuesday, has been replaced by his former deputy, Colin Dimmock.

Separately, Michael Hammond has joined UBS in New York as executive director, head of international convertible and warrant sales from CSFB, where he was in international convertible sales for five years.

Grant Williams is to join UBS in London on December 1 as director of Asian equity derivative trading from Robert Fleming where he has been since 1985, most recently as manager of south-east Asian trading. *Martin Brice*



■ Michael Deakin (above), senior investment manager, has been appointed general manager - investments of CLERICAL MEDICAL Investment Group as from next April.

■ Gerry Murphy has been promoted to group operations director of FIRST NATIONAL BUILDING SOCIETY; he is chairman of the Irish element of the European Union Theme Project.

■ David Ritchie, deputy group executive, is also appointed chairman, and Leslie Robb md, of SCOTTISH WIDOWS Investment Management.

■ Monique Nooy has been appointed a European marketing director at FOREIGN & COLONIAL; she moves from Pictet.

■ Steven Bobasch, formerly director and deputy head of group credit at Kleinwort Benson, has been appointed head of credit at SOCIETE GENERALE's London branch.

ARTS

Ashton celebrated

Clement Crisp reviews the Royal Ballet

In the weeks leading up to Christmas, the Royal Ballet is offering two programmes of ballets by Sir Frederick Ashton, with the added seasonal pleasure of his *Cinderella*. This is a first and over-due celebration of the work of the man whose creations vitally shaped our national style of classic dance.

Ashton was a genius. First Marie Rambert, then Ninatte de Valois gave him his earliest chances, and de Valois – prescient as ever – entrusted him with the rola of chief choreographer to her company in 1935. From that moment on he made ballets which can be seen as an ascending curve of imaginative brilliance, craft and poetic sensibility.

I have been fortunate enough to see much of his work with its first casts. (Ashton was often indifferent to dancers who took over roles, and could make such devastating comments as "She's not chic" by whicb he meant wit in technique and manner). His maturity as a choreographer came after the war. For the next three decades he made ballets whose variety and felicity of means were central to the Royal Ballet'a identity.

He took on the mantle of Petipa and gave us *Cinderella*, the dalicious and shamafully neglected *Sylvia*, the tragic *Ondine*, the sunburst of *La Fille mal gardée*, and the romance of *The Two Pigeons*. Ha explored Fonteyn's gifts in role after role. He could evoke Greek myth in the mysterious *Persephone* and *Daphnis and Chloe*, and extract the essence from a drama to make a work as emotionally succinct as *Month in the Country*. He could be hugely and subtly funny in *A Wedding Bouquet*, and very moving through no less subtle means in *Lament of the Waves*. He could make dance glitter – one of his own favourite works was the sublime theorem of *Scènes de ballet* – and make his dancers opulent, grand, in *Birthday Offering*.

Above all, his creativity fed on music, and on qualities he sensed io bis interpretars – hence his lack of much interest in their successors. His ballets remain the truest portrait of his company for much of its existence. So now, somewhat belatedly, the Royal Ballet makes an Ashton homage. A stage shared with opera precludes the celebrations that New York City Ballet gave in last spring's showing of 73 Balanchine works. But I made a tally of some 30 Ashton pieces which should be in the repertory. A national ballet owes this to its dancers and audiences: the Ashton heritage is no less important than, say, the works of Benjamin Britten, and Ashton must be accounted one of our greatest lyric poets.

Thursday night's first programme brought a revival and re-decoration of *Daphnis nnd Chloe*, the return of *La Valse* and *Symphonic Variations*, and duets from *Sylvia* and *Birthday Offering*, works spanning 12 great Ashtonlan years, 1946-58. The evening was the victim of injuries: four principals, among others, were replaced. It is for this reason tbat I am reluctant to say mucb about *Symphonic Variations*, which looked studied ratber than spontaneous. Because this work has been elevated to the status of a sacred text, it is too often danced as if its cast were in church. Bruce Sansom in the leading male role was fine: the rest of the cast looked tentativa. They might adopt some of the freedom and sense of giving themselves to the pulse of the music whicb mada the opening *La Valse* look so handsome as Ravel's whirlwind bore its couples along.

The two pas de deux made ma long for the entire ballets from which they were extracted. *Birthday Offering* was, in 1956, a loving portrait of the company's seven ballerinas in the year of its silver jubilee. (I wish I thought that the present troupe could field seven such varied and fascinating artists). At the heart of it, of course, Margot Fonteyn and her cavalisr, Michael Somes. On Thursday, Lesley Collier and Jonathan Cope gave the duet its proper grace. Collier has wit and the proper understanding of Ashtonian nuance, and Cope is a bandsome partner: the piece was alive.

The *Sylvia* duet – one of Asbton's most brilliant and demanding creations for Fonteyn and Somes – did not look happy with Viviana Durante and Irek Mukhamedov. Mukhamedov *has* the power the dance needs, though he makes it seem more Bolshoi-like than heretofore. Durante seemed flustered hy intricacies that Fonteyn played with a delicious and understated amusement in what Ashton had set her to do. But the duet whets the appetite: we really *must* have the whole ballet restored to the stage with its ravishing designs hy tbe Irooside brothers.

Daphnis and Chloe bas been long over-due for return. Now it is back, with new design by Martyn Bainbridge replacing John Craxton's original decoration. Tbe initial impression of Bainbridge's work is excellent. His permanent set ls of creamy stone walls with a distant landscape shimmering through horizontal lines which mask the backdrop. The costuming is timeless yet suitably arcbaic, in natural-coloured linen and wool for the villagers, rather more conventionally piratical for Bryaxis and his crew. I think it a miscalculation to use an obviously theatrical moon and tinselly stars for the pirate scene, and to make the last act sea like a dowager's sequinned bosom glittering all-too-brightly in the morning light. These ssem trumpery wben contrasted with the earlier aptness of the design.

Trinidad Sevilliano and Stuart Cassidy in 'Daphnis and Chloe' Alastair Muir

The Chloe of Trinidad Sevillano – a replacement for an injured Sarab Wildor – was deliciously soft in outline and tender in manner, and the character lived. So did Stuart Cassidy's Dapbnis, happily combining innocence and passion. Lykanion and Dorkon, who must tempt the young lovers, were given first sketches by Benazir Hussein and Adam Cooper, but the pirate Bryaxis needs a far weightier presence than Matthew Hart's physique can bring – the part cries out for Mukhamedov. This is, nonetheless, a welcome revival. Let it be the precursor of mucb more Asbton – and MacMillan – restored to the stage: thair work is our national ballet's treasure, and identity.

Daphnis and Chloe sponsored by the Robert Gavroo Charitabla Trust.

Music in London

Schnittke Series

In this, his 60th birthday, Alfred Schnittke's position as the natural successor to Sbostakovicb as Russia's leading composer seems unassailable. Schnittke festivals are on the increase, his discography is – for a serious contemporary composer – massive, and his rate of production – especially given his precarious state of health and his need to make statements on a large scale – shows no sign of dwindling. For his admirers, he is as much moral inspiration as pure musician: they speak passionately of his work's overwhelming emotional intensity and of his giving voice in dark and dangerous times to the soul of an oppressed Russian people.

These are strong claims, but are they justified by the musical reality? Do the ends – the powsrful communication of non-musical truths – justify the means? Can we turn a deaf ear to the relative crudity of Schnittke's techniques, not least his juxtapositions of avant-garde clichés and quotations from the whole gamut of musical history? Or should we expect more from a composer of his stature than a language in which the ideas behind the music are more important than the music itself, and in which the actual notes dissolve into a rhetoric wbose only *raison d'être* seems to be dictated by the composer's own freely associating anxieties?

"Perhaps" and "sometimes" may be the answers, but not, I think, on the basis of the three Schnittke pieces given exemplary performances by the London Sinfonietta in the opening concert of the Barbican Centre's Schnittke Series on Friday. The shortest, *Three by Seven*, proved a slight, rather dry and schematic exchanges hatwaen harpsichord and instrumental ensemble.

The earliest, *Quasi una sonata* of 1987 for violin and chamber orchestra, a reworking of his Second Violin Sonata of 1968, was a typical head-on collision between sounds from the 1960s avant-garde aod quotes from Beethoven and Brahms, which ignores the purely musical implications of its material in favour of hollow gestures and temper tantrums.

The most recent, *Five Fragments on Pictures by Hieronymous Bosch*, receiving its recourse to rudimentary melody-plus-cbords textures, sounded dangerously under-composed.

Ironically, it was the work of two of Schnittke's compatriots which offered the main musical interest of the evening. *Life without Christmas - Daytime Prayers* by Giya Kancheli was a gentle, Goreckian meditation for clarinet and ensemble, capped by the arrival of a boy soprano to sing a Latin prayer. More striking was Alexander Raskatov's *Xenia*, another delicate, meditative work, evolving logically from shimmering tintinnabulations and revealing a fine ear for subtle shifts of colour, new orchestral sonorities and some appealingly quirky changes of direction.

Antony Bye

The Schnittke Series continues at the Barbican Centre tonight and November 17.

Chung conducts the Philharmonia

The London Philharmonic's concert at the Festival Hall on Saturday featured standard composers – Beethoven, Schumann and Brahms – in a standard overture-concsrto-symphony format. All of the works complement perfectly the art on show at the South Bank's Deutsche Romantik exhibition, but only first-rate performances would have justified sucb a routine programme.

But then, the evening was to have been conducted by Klaus Tennstedt, the orchestra's conductor laureate and one of the great exponents of this repertory. His recent retirement due to ill-bealth from the concert platform is a not-unexpected blow to the orchestra, already in the process of losing its music director, Franz Welser-Möst.

Tennstedt was replaced on Saturday by Myung-Whun Chung, a relative stranger to London bnt one who had the conductor-watchers out in force: his ousting last month from his post as music director of the Opéra-Bastille in Paris makes him a possibla candidate for either of London's rudderless orchestras (the joh at the Philharmonia being open too). But perhaps our cash-starved orchestras will find him too expensive: on the surface of a complicated battle of artistic wills in Paris, it was Chung's financial demands that made him the first victim of cost-cutting measures by the Bastille's director-designate, Hugues Gall.

Chung has been an acknowledged force for artistic good in Paris. He is widely credited with having raised the standards of the Bastille orchestra, but bere – in works that demand the individual stamp of a conductor – be cama across like any other generalised super-maestro. Uncharacteristically, be allowed some undisciplined playing in a performance of the *Leonore No. 3* overture that did not really hang together coberently.

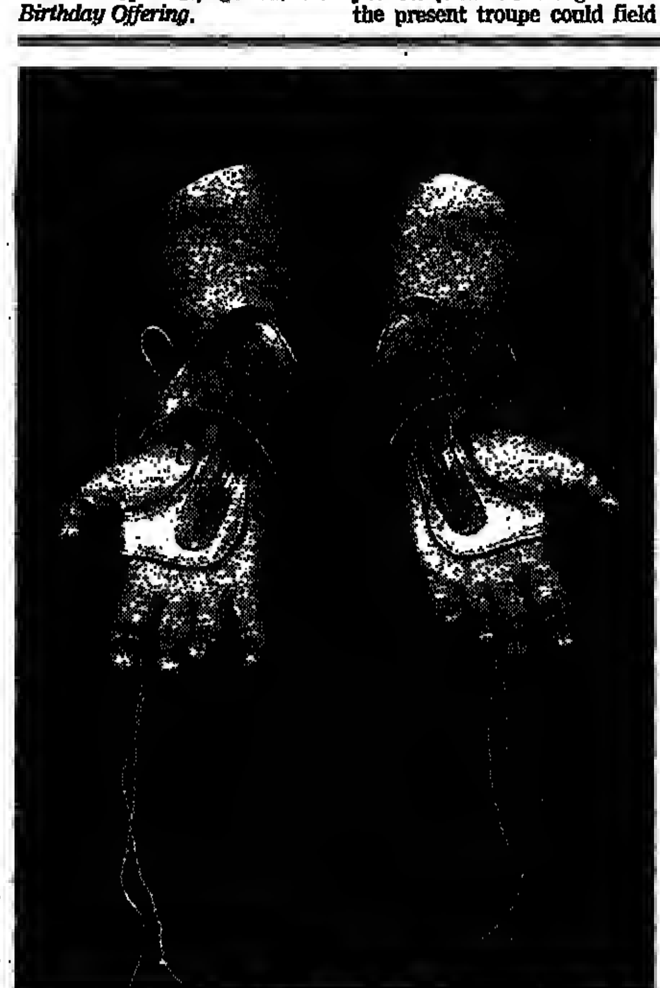
Scbumann's Piano Concerto in A minor – the epitome of German Romanticism, or at least of its more wholesome aspects – was much more successful. Chung proved a sensitive accompanist to Maurizio Pollini, and together they shaped a performance full of Romantic spontaneity but free of mannerism. Pollini's distinguished playing hrought reminder – if reminder were needed – that he has few equals in this repertory. His virtuosity remains but one of the tools of his glowing, poetic pianism.

Tennstedt's absence was keenly felt in the Brahms Symphony No. 1. Chung conjured up an appropriately warm sound but no Brahmsian incandescence, and the playing lacked cultivation. The blazing, affirmative finale was impressive, though not enough to make this an interpretation real stature – a commodity which, after recent experiences with its music director, tbe London Philharmonic sbould now be seeking above all.

John Allison

Breda hosts the art of youth

William Packer reviews the European biennale show, 'Germinations'



Detail of photopiece 'Stigmata', by Naomi Dines

Germinations, a European biennale for young artists, was set up in the early 1980s under the aegis of the *Office Franco-Allemande pour la jeunesse*. The UK joined in almost at once, followed by the Netherlands, and so it bas continued to grow until in this, its eighth recurrence, some 15 countries are taking part.

Such growth speaks not just of a practical success, but of a wider recognition of the cultural and educational opportunity that *Germinations* represents. The arguments make themselves: the focus upon youth and education; pan-european co-operation extending across the community into the former communist bloc; all the cultural opportunities that follow, of mutual experience and exchange.

Yet what the European Commission giveth, ths European Commission taketh away, and this time, late in the day, the funding was withdrawn. To criticise this Breda *Germinations* for the absence of those workshop programmes, whereby participating artists from different countries would have been given the chance to work abroad together at selected ceotres in the months before the actual exhibition, is therefore no criticism of *Germinations* itself. The point was acknowledged by the administration, and confirmed by the artists, who certainly felt deprived.

The immediate reinstatement of these workshops is already the declared priority for *Germinations 9*. Where the money will come from, however – the Commission; the national funding bodies; private sponsorship? – is unclear. The pity is that the sums are still comparatively small.

Has *Germinotions* itself become too big? Sixty-four artists are represented, a bandful from each country which inevitably blurs what might be national characteristics into individual quirks and interests. With funding secure, would a more frequent programme be better, allowing a reduced and rolling permutation of the member nations rather than all aboard, every time? Perhaps.

The work itself is what is to be expected of any recent studeot generation, an avant-garde orthodoxy in both range of practice and content. There is enough here of the beautiful, intriguing and well-made to remain encouraged. It is only the narrowness of the range of preoccupatioo, the stultifying assumption that art must be idea-led ratber than more intuitively responsive to the world, that is so sad.

Here, then, are some film and video, some print, installations, both conceptual and theatrical, and a lot of well-made abstract sculpture. There is also some paintiog oo canvas, almost all of it abstract and some of it very good. Such is the currency of art schools, not just in the UK but across Europe. But for anything direct and competent in its relation to neture, most of all to the figure, we look in vain. What little there is of figurative representation is embarrassingly inept.

That said, bowever, I would also say that the Britisb contingent of eight artists was as strong as any, ranging from painting, tbrougb sculpture, to conceptual installation. Two of the painters were outstanding – Lynn Flavell with her elegantly abstracted pattern-fields derived from piles of fruit; and Sophie Benson, whose large, delicately worked and spatially ambiguous drawings deservedly won ber the special bursary. The sculptor too, Naomi Dines, had made some quite extraordinary things. She is obsessed by tack and tackle of all kinds, as might be found on boats or horses, or in the surgery – odd splints, supports, restraints, all beautifully made in leather and bung witb an off-hand deliberation upon the wall. Of the rest I liked the sinister chair-figures of Klara Klose (Czech), Catherine Harang's metal structures (France), Petra Ondreickova's painted relief perspective (Czech) and Katarina Diacomi's prawn-like wire creatures, dancing on springs. Barbara Kowalczyk (Poland), with her parcels of pigment on shelves and window-sills, won the Boudaille Prize as best artist in the show.

Germinations 8: the St Joost Academy and the De Beyerd Contemporary Art Centre, Breda, The Netherlands, until December 4. Snpported by the Commission of ths European Commnnity, Brussels, and by individnal national organisations.

INTERNATIONAL ARTS GUIDE

AMSTERDAM

Concertgebouw Tonight: Hartmut Haenchen conducts Netherlands Philharmonic Orchestra and Chorus in symphonies by Szymanowski and Mahler. Tomorrow, Thurs, Fri: Kurt Sanderling conducts Royal Concertgebouw Orchestra in Beethoven and Schubert, with piano soloist Mitsuko Uchida. Tomorrow (Kleine Zaal): Gustav Leonhardt harpsichord recital. Thurs (Kleine Zaal): Tabea Zimmermann viola recital. Sat afternoon: Arnold Ostman conducts concert performance of Beethoven's Leonore, with cast headed by Hubert Delamboye, Hillevi Martinpelto and David Pittman-Jennings. Sat evening: Handel's Messiah. Sat (Kleine Zaal): Alexey Lubimov piano recital. Sun morning: Radio Symphony Orchestra plays Chopin and Lutoslawski, with piano soloist Imogen Cooper (24-hour information service 020-675 4411 ticket reservations 020-671 8345)
Muziektheater Tonight: Netherlands Dans Theater. Thurs, Sun afternoon (continues till Nov 28): Netherlands Opera presents Louis Andriessen's new work Rosa, with scenario and production by Peter Greenaway (020-625 5455)

ANTWERP

de Vlaamse Opera Tonight: final performance of Yevgeny Onegin, staged by Adolf Dresen and conducted by Stefan Soltesz. The production moves to Ghent for four performances, opening on Sun (03-233 6685)

BRUSSELS

Monnaie Tonight, tomorrow, Thurs, Fri: Philippe Boesmans' acclaimed 1993 opera Reigen, based on Schnitzler's play la Ronde. The production is by Luc Bondy and the cast includes Solveig Kringelbom, Franz-Ferdinand Nentwig and Lucinda Childs. There will also be performances at the Châtelet in Paris on Nov 25, 26 and 27 (02-218 1211)

CHICAGO

MUSIC

Chicago Symphony Antonio Pappano conducts works by Britten, Chausson and Copland on Thurs, Fri afternoon, Sat and next Tues, with mezzo soloist Florence Quivar. Pierre Boulez will conduct four different programmes between Nov 25 and Dec 17 (312-435 6666)
Lyric Opera This month's productions are Strauss's Capriccio, Rossini's Il barbiere di Siviglia and Bernstein's Candide. Capriccio (tonight and Sat, continuing till Dec 5) is conducted by Andrew Davis and staged by John Cox, with Felicity Lott as the Countess. Frederica von Stade, Thomas Allen and Rockwell Blaka star in the Rossini (final performance of this run tomorrow), and Candide opens on Nov 26 in a production by Harold Prince (312-332 2244)

THEATRE

● The Sisters Rosensweig: the national touring production of Wendy Wasserstein's hit Broadway comedy about the mid-life reunion of three Jewish sisters from Brooklyn (Shubert 312-902 1500)
● Laughter on the 23rd Floor: Neil Simon's newest comedy, sboul the golden days of live TV comedy, ia currently enjoying an open-ended run (Briar Street 312-348 4000)
● Angels in America: Tony Kushner's two-part epic is directed by Michael Mayer, with Jonathan Hadary as Roy Cohn (Royal George 312-988 9000)

ROTTERDAM

De Doelen Tomorrow, Thurs, Fri: Eduardo Mata conducts Rotterdam Philharmonic Orchestra in works by Strauss, Dvorak and Frank Martin (010-217 1717)

GENEVA

Comédie Moscow's Vakhtangov Theatre, directed by Piotr Fomenko, presents Ostrovsky's The Guilty Innocents daily till Nov 26 (022-320 5001)
Grand Théâtre The Bartered Brida, staged by Elijah Moshinsky and conducted by Bohumil Gregor, can be seen tonight, Fri and next Mon, with a cast headed by Valentin Prolat, Gwynne Geyar and Kristinn Sigmundsson (022-311 2311)
Victoria Hall Yevgeny Svetlanov conducts the Suisse Romande Orchestra on Nov 22 and 25 (022-311 2511)

LAUSANNE

Théâtre Municipal Thurs: Jean-Clauda Casadesus conducts first night of Jean-Claude Auvray's naw production of Un ballo in maschera, with cast including Gino Quilico and Lillian Watson. Repeated Nov 20, 22, 24, 27 (021-312 6433)

VIENNA

● A new production of Pirandello's Tha Mountain Giants, directed by Giorgio Strehler, opens tonight st the Burgtheater. Next performances are Nov 19, 20, 23, 25, 28 and 29 (514440)
● Walter Weller conducts the Royal Scottish National Orchestra at the Musikverein tomorrow, Thurs and Fri. The programme for the first two concerts consists of works by Janacek, Grieg and Tchaikovsky, with piano soloist Bella Davidovich. The concert on Fri includes works by Britten and Jamas MacMillan. Carlo Maria Giulini conducts the Vienna Philharmonic in Schubert and Brahms on Fri afternoon, Sat aftamoon and Sun morning. Okko Kamu conducts the Copenhsgen Philharmonic on Sat evening in Gade, Chopin and Nielsen, with piano soloist Elisabeth Leonskaja. Dec 5: José Carreras (505 8190)
● Vienna's contemporary music festival, Wien Modern, runs till Nov 28, with daily performances at various venues around tha city. This year'a featured composers are Morton Feldman, George Crumb, Helmut Lachenmann, Karl Schiske and Gunter Kahowez (7124 6860)
● Tha Stata Opera is closed for technical alterations till Dec 14 (51444 2959/51444 2969/513 1513)

WASHINGTON

KENNEDY CENTER

● This week's National Symphony concerts are conducted by Zdenek Macal and Hugh Wolff. In tonight's programme, soprano Alessandra Marc sings selections from Aida. On Thurs, Fri afternoon and Sat, Ivan Moravec is soloist in Schumann's Piano Concerto (202-467 4600)
● Washington Opera'a repertory this month consists of Gounod's Faust and Mozart'a Le nozze di Figaro. Jianyi Zhang sings the title rola in Faust. The Mozart cast includes Jeffrey Black and Yvonne Kenny (202-467 4600)

THEATRE

● Otabenga: world premiere of John Strand's play based on the true slory of a journey through America at the turn of the century. Opens tonight (Signature Theater 703-820 9771)
● Someone Who'll Watch Over Me: Irish playwright Frank McGuiness's humorous and poignant drama about three Beirut hostagss. Till Dec 11 (Studio Theater 202-332 3300)
● Tom Stoppard trilogy: Washington Shakespeare Company presents The Real Inspector Hound, The 15-minute Hamlet and Dirty Linen. Till Dec 17 (Gunston Theater 703-418 4808)
● Two Trains Running: August Wilson's Pulitzer Prize-winning play is set in 1969 in Pittsburgh during the civil rights era. Till Dec 18 (Center Stage 410-685 3200)
● Artificial Jungle: the last play written by the late Charles Ludlam is a spoof on marriage in jeopardy. Till Dec 4 (Woolly Mammoth 202-393 3939)

ZURICH

Opernhaus Tonight, Fri, Sun afternoon: choreographies by Ek, Bienert and Van Manen. Tomorrow: Il barbiere di Siviglia with Vesselina Kasarova. Thurs, Sun afternoon: Serge Baudo conducts Bernard Uzan'a production of Gounod'a Roméo et Juliette, with Isabelle Rey and Francisco Araiza. Sat: Die Zauberflöte. Nov 27: first night of new production of Die Frau ohne Schatten (01-262 0909)
Tonhalle Tomorrow: Marcello Viotti conducts Tonhalle Orchestra in works by Mozart and Beethoven. Thurs: Hagen Quartet plays string quartets by Schumann, Mozart and Schubert. Fri: Viotti conducts Schnittke and Beethoven, with piano soloist Peter Waters. Sun: Howard Griffiths conducts Zurich Chamber Orchestra in Scherrer, Mozart, Beethoven and Prokofiev (01-261 1600)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV

(Central European Time)

MONDAY TO FRIDAY
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY
NBC/Super Channel: FT Reports 1230.

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
NBC/Super Channel: FT Reports 1230

FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Statement of intent

Mark Suzman on Pretoria's ambitious economic programme

A £2bn bid for a military helicopter contract; a recipe for vitamin-enriched bread; aod a trade union federation's development fund: all are part of a new national mission in South Africa, the Reconstruction and Development Programme (RDP).

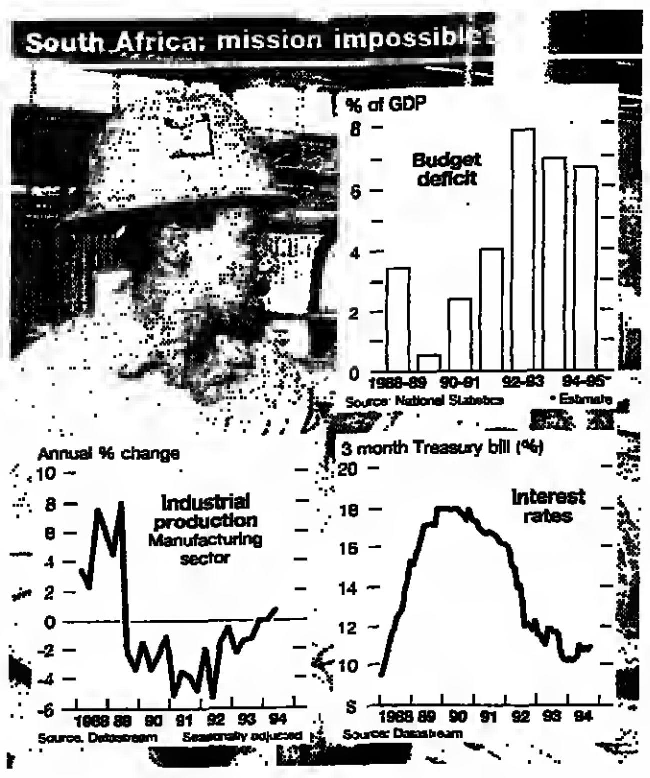
With the death of both apartheid and the socialist vision of the African National Congress, the RDP is being promoted as the country's path to political stability and economic growth.

It is now so powerful and pervasive a feature of South African life, that scarcely any large initiative, in the private or public sector, is launched without ritual reference to the plan.

International donors talk of promoting the programme, the corporate sector spells out how its plans gel with the RDP's goals, and educational institutions frame their mission in terms of developing the necessary human capital to implement the RDP.

However, behind this enthusiasm lies widespread confusion over exactly what the programme involves.

Most people would probably say the RDP was primarily a state-sponsored initiative to provide jobs and houses for the very poor – casting an eye at the R37.5bn over five years that the government has budgeted to promote everything from school feeding schemes to new water plants in rural areas.



But important though these high-profile initiatives are, they are only part of a much larger programme. The white paper on the RDP, recently presented to parliament, sets out the programme's five broad goals as meeting basic needs, such as jobs, land and housing; developing human resources through education and training; promoting economic growth; completing the democratisation process; and establishing the government structure and capacity to implement these aims.

As Mr Jay Naidoo, the minister without portfolio who has the task of overseeing the programme, is fond of pointing out, the RDP is intended to do more than build a few extra schools and clinics.

"It is not a set of *ad hoc* projects on the ground," he said last month. "It is not about government centralising power in its own hands. It is about the fundamental transformation of government and society."

The economic policies that are being adopted to meet these aims have been widely applauded both domestically and abroad. Although the programme includes several state-led initiatives, the bulk of the RDP will be driven by the private sector.

The commitments to nationalisation and socialist policies that infused earlier drafts of the programme, when it was part of the ANC's electoral campaign, have been jettisoned. So, too, have the references, side-by-side, to free enterprise, frugality and high-spending, inflationary policies.

The ANC-led administration has instead committed itself to cutting the budget deficit, is pushing ahead with privatisation, and has proven highly supportive of the Reserve Bank's unpopular policy of high interest rates – aimed at keeping a rein on inflation.

Indeed, the new government has become so staunch a defender of economic discipline that it has been charged by some of its constituents with being too right wing.

Deputy Finance Minister Alec Erwin's response to these charges has been that "fiscal and monetary discipline as an instrument to achieve objectives may mean that, like [former UK prime minister] Mrs Thatcher, we use a stove to cook a meal, but ours is a very different meal; it is one that we all will share and enjoy the quality of the cooking."

While such high hopes for the gains from economic discipline are thought to be realistic by many observers, they worry that other elements of the RDP may not be. The white paper's commitment to increasing civil service productivity and cutting the number of state employees appears Herculean. A recent analysis by the Johannesburg-based Centre for Policy Studies concludes that, given the pressure on the government to deliver improved conditions and the difficulty of retrenching white bureaucrats, meeting these goals is likely to prove impossible.

Even more problematic is the question of project implementation, dealt with only briefly in the white paper. Local authorities are to be given a management role in everything from the provision of houses to new schools. In practice, however, local government remains chaotic in much of the country as a result of widespread rent and service boycotts: establishing effective local government structures could take years.

"The RDP at this stage is very abstract. It deals with the framework but not delivery," said Mr Frederik van Zyl Slabbert, responsible for the running of local government elections planned for next year.

It is the idealism that underlies the programme that seems to have generated this weakness, as well as the programme's strengths.

The RDP is essentially a revolutionary plan drawn up by a new government with a burning vision of the country it wants to build, and a strong desire to deliver tangible results from the destruction of apartheid: hence the broad scope of the RDP, and its adoption as a national crusade by all the political parties in government.

Rather than being a policy document over which political opponents disagree, the RDP has become a statement of aims within which most policy disputes are taking place. Thus the debate on interest rates is framed as a discussion over whether higher interest rates will promote the RDP.

The same is true in business. During a recent car industry strike, employers defended their low wage offers as necessary to free funds for capital expenditure in support of the RDP, while workers' organisations argued that under the RDP they should be receiving improved training and better conditions.

The programme's elevation to national mission has also raised the prospect that those who stray from its premises will be purged. There have already been calls for various senior civil servants to be dismissed for being "anti-RDP"; an official at the Development Bank of South Africa was fired following charges that he tried to sabotage the programme.

However, the government seems under no illusions about what will ultimately determine the success of the RDP. It is economic growth that will make or break the programme. The danger will lie in trying to deliver too much too soon.

Joe Rogaly

Virtually real democracy

You are sitting at home, your hand near the remote control device. A convicted murderer's face appears on the screen, top right corner. A voice asks whether the miscreant should or should not be executed. The text alongside reinforces the spoken message: "To have *your* say, simply press Y or N." The unpleasant details of the killing, some recreated by computer imagery, have just been replayed for what seems like the thousandth time. You are reminded that if the public-access vote is "Y" the supreme penalty will be exacted, in full view, just after the dinner hour. You reach across your snack tray and pick up the remote . . .

The above little scene, some may protest, is a sub-Orwellian nightmare, unworthy of serious attention. Oh yes? Even in California? Sophisticated folk like us know that true democracy is a nonsense. It is the rule of the mob. Elites – that is, you and I – manage to stave off the mindless tyranny of the majority by a variety of means, the most effective of which is the pretence that periodic elections decide matters of importance. Modern government, even in its minimalist form, is so complicated that it would be impossible to consult the voters at every turn.

Not so. Technology that could make the largest of countries function like a parish meeting already exists. In its most advanced form – a multimedia box connected by telephone line to everywhere – the necessary gadgetry is likely to become commonplace in middle-class homes by, shall we say, the turn of the century. Mr Bill Gates, chairman of Microsoft, indicated yesterday that his company proposes to sell software that puts buyers in touch with catalogues, purveyors of financial snake-oil, electronic libraries, and that great stimulant of so many of our imaginations, the Internet. Mr Gates has made a huge success of Windows, the program that enables newcomers to understand computers. He might do well with his Microsoft Network.

It is not evident that he has political applications in mind, but that makes no difference. Politics is already entwined in the Net. In the 1992 presidential election Mr Ross Perot promised electronic plebiscites. Last year President Bill Clinton stage-managed an "electronic town hall", although without voting rights. His vice-president is starry-eyed about the whole business. If you have the necessary hardware you may embark on a virtual reality tour of the White House. Sophisticated chip-based devices were deployed in last week's mid-term elections, the ones in which the Democrats were so thoroughly worsted. In Minnesota candidates for the Senate conducted an on-line debate. Computer-access public interest groups have been established in Oregon, Ohio, Illinois, Florida and elsewhere. They are available on the World Wide Web, which can transmit text, moving pictures and sound.

Technology that could make the largest of countries function like a parish meeting already exists

In California, nearly every candidate spent part of his or her campaign funds on digitising their messages. A nasty proposition, number 187, was overwhelmingly approved. It denies public services to illegal immigrants. Last year some Californians supported attempts to have TV cameras present at executions. Software companies have invented ways of identifying electors at their home screens, although it is not clear how this kind of electronically screened vote could be kept secret. Yet add it all up and my opening paragraph becomes less fanciful. Wired democracy is a popular notion. No wonder Mr Newt Gingrich, leader of the Republicans in the lower house, remarked after his party's recent victory that every bill or committee report filed in Washington would be put on line.

It is important to keep hold of *actual* reality. Browsing through Profile, the FT's on-line library, I read that some 20-30m personal computers, in at least half the world's countries, are linked to the Internet. Yet the most advanced technology is probably possessed by say, between 2m and 3m PC owners. That probably defines the number of Americans who logged on to candidates' literature during the mid-term elections. Could it be that the Net is just another device for whiling away the long night hours? We have waves of the future come and go; none has yet drowned us. Satellite TV, cable, fibre-optics, the fax, the cordless telephone have been subsumed into our lives; none has become predominant.

That said, I am not so sure that the gathering wave of "electronic democracy" will recede. Voters everywhere are disillusioned with established parties and politicians. The temptation to travel back to ancient Athens via one of Mr Gates's icons may be irresistible. In Britain various think tanks and pressure groups have worried at the edges of the problem, without reaching much of a conclusion. *Lean Democracy*, a pamphlet published by Demos in the summer, discusses participatory models of wired decision-making. "It is likely to take many years of experiment . . . to discover which methods of using technology entail which effects," the prudent authors say.

A discussion on referendums organised by Charter 88 a few weeks back could be summarised as concluding that they are all right if limited to constitutional issues or local matters. Demos, Charter 88 and the Labour-leaning Institute for Public Policy Research have all discussed citizens' juries, groups of public-spirited individuals who are prepared to sit and listen to professionals before pronouncing on the merits of this or that policy. The IPPR booklet, *Citizens' Juries*, by John Stewart, Elizabeth Kendall and Anna Coote was published last Thursday. It describes experiments in the US and Germany and proposes a trial run in Britain.

Why not? An electronic referendum is a dangerous idea. Voters would decide on the basis of no knowledge, and flashy sound-bites. The poor may not have access to computers. Putting a citizens' jury on TV or an interactive net might be more attractive, if you could be certain that the participants paid attention. Meanwhile, we should think. The first picture of an Apple PC in the FT appeared in the late 1970s. It showed a child at the screen. Now grown up, she has presented me with a subscription to the Internet. That is how far home computing has travelled in about 16 years. We will experience the politics of this device well before another 16 have passed.

LETTERS TO THE EDITOR

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The worst of all worlds

From Mr Oleh Havrylyshyn.

Sir, In his article "Painful rebirth from the ashes" (November 11), Anthony Robinson makes some valuable points about how much has been achieved by former communist countries in the transition from central planning to market economy, and how this is already giving pay-offs. It is useful to have such a "half-full glass" perspective on the still difficult process of change in these countries.

However, I would take issue with Robinson's too-simple analogy between the capital amassed there in recent years through "often clandestine expropriation and export of raw materials, energy and other resources" and the US and European robber baron equivalents in the 19th century.

The 19th century monopolists did not, on the whole, make their fortunes with the help of a highly interventionist government. US and European economies, while not paragons of free markets, were generally open, competitive economies, with free price-setting, very low government budgets (generally balanced) and a prudent money-creation environment. The transition economy robber barons base their profits on privileged access to low-priced materials, substantial and cheap credits, trade licenses (hence monopoly rights), and so on. The big difference therefore is that today's robber barons have become strong proponents of retaining the administered and distorted system that is neither central planning nor an open competitive market. For them, this is the best of both worlds, and they have plenty of influence to try to keep things that way. For the population at large, this partial step to the market is the worst of both worlds.

It will not automatically happen that the accumulated capital (much of it abroad) will be reinvested in these economies. It will require a strong-willed leadership to break the system of interventions, create a competitive, open-market environment – and thereby attract back this amassed capital.

Oleh Havrylyshyn,
alternative executive director,
International Monetary Fund,
Washington DC 20431, US

Bureaucracy in Brussels

From Mr Paul Cohn.

Sir, Having read the article by Emma Tucker about her experiences with Brussels bureaucracy (Perspectives: "Welcome to Soviet Belgium", November 12/13), I can only feel sorry for her.

However, being a Dutchman, who has lived in Germany, France, Belgium and the UK, I regret that my experiences with the authorities in the UK were by far the worst. This starts when you enter the UK and your car is thoroughly searched for an hour (although I have short hair), and it continues when you want to have a residence permit. Maybe having an Indonesian wife does not help, but I have never felt as humiliated as when I waited in a queue outside the Home Office in Croydon at 6am – after a 2½ hour drive – only to be told several hours later that I should have gone to my local police station, which had just sent me to Croydon the day before.

So, not much different from Brussels, I fear.

Paul Cohn,
Singel 19, Blaricum,
The Netherlands

Greenpeace: a changing role, but not out of a job

From Mr Chris Rose.

Sir, In her long article, "Campaigners all at sea" (November 12/13), Bronwen Maddox says Greenpeace has "campaigned itself out of a job", because it has achieved "extraordinary success in changing the relationship between advanced industrial societies and the natural world". Sadly, we have to disagree.

The "success" has been mainly confined to the establishment of political conventions and increased understanding – attitudes have changed but activities mostly have not. For the media the global environmental crisis has perhaps been eclipsed by the "environmental revolution" in the attitude of politicians and industrial public relations but this is change in appearances, not substance.

Maddox cites the London convention on radioactive waste dumping, but Sellafield still pumps waste out to sea from land. Toxic waste dumping at sea has been banned. Yet waste is still legally discharged from land, dumped on land or incinerated. And, as she says, 150 countries acknowledged global warming at the Rio Earth Summit yet carbon dioxide emissions are still set to rise.

There is no international treaty to protect forests, even on paper: we are taking direct action to stop the Brazilian mahogany trade. The Montreal Protocol on protection of the ozone layer was incapable of forcing industry to adopt technologies that did not use ozone destroying or global warming gases. This led Greenpeace to intervene in the market with "greenfreeze" refrigeration, instead of continuing to rely on the media and government instruments to deliver change.

Maddox fairly describes some of the problems faced by environmental organisations in a more environmentally-aware world: we must change role from mainly identifying problems to delivering change. But our task is to stop destruction, not just to draw attention to its most visible forms.

Chris Rose,
campaign programme director,
Greenpeace UK,
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London N1 2PN

Marginalisation of Mediterranean countries

From Mr Stephen C Calleya.

Sir, Your assessment of Europe's future challenge in your editorial, "Europe's big challenge" (November 9), is accurate in indicating that the EU 1996 intergovernmental conference must contend with the assignment of furthering the integration experiment in the west and simultaneously spell out a plan for integrating the states of eastern and central Europe.

But it surprisingly makes no mention of Europe's challenges on its southern flank. An analysis of the EU's recent document, *Strengthening the Mediterranean Policy of the EU: Establishing a Euro-Mediterranean Partnership*, which proposes the creation of a free trade zone in the area, and a review of EU enlargement to include either Malta, Cyprus or Turkey, are absent.

For the record, the EU now gives twice as much aid to eastern Europe as to the Mediterranean. In the period 1990-1994, the EU spent Ecu 1.626bn ($2.07bn) on the Mediterranean and Ecu 3.781bn on eastern Europe.

Is this an indication of gradual marginalisation by Brussels of the Mediterranean, despite lip-service to the contrary?

Stephen C Calleya,
department of politics and international studies,
University of Warwick,
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Customs and Excise adds to burdens

From Ms Carole Macpherson.

Sir, I read with great interest Peter Norman's article on the first prosecution of a UK company for failure to provide Intrastat returns ("Company fined over missing trade statistics", November 9).

Dams International has my sympathy. I know only too well the additional burden which has been placed on UK businesses by Customs and Excise with this latest statutory requirement.

However, the closing comments by customs officials that the Intrastat system is "less burdensome than previously" is a little difficult to comprehend. Certainly it is less burdensome for Customs and Excise as the entire burden falls on UK businesses to collect these statistics.

From our own experience, the investment in extra administrative and systems development has had an all too real cost, which certainly does not fit in with the stated "savings to UK businesses of £135m".

Surely Customs and Excise is referring to savings by central government, it having once again passed the onus for collection of tedious statistics to UK businesses? There are many further examples, including National Insurance and value added tax on private fuel, etc.

It is difficult for us to see the savings.

Carole A Macpherson,
financial administration manager,
Akzo Nobel Coatings,
135 Milton Park, Abingdon,
Oxfordshire OX14 4SB

Eligibility for EU funding

From Ms Esther Knight.

Sir, I refer to the article "Grants are the remedy for the region's needs" (November 7). This stated that, concerning eligibility for European Regional Development Fund, "Telford and Stoke-on-Trent were not deemed to be in need any longer". This is not correct. The position is that Telford was previously eligible and continues to be so, and that North Staffordshire conurbation, including part of Stoke-on-Trent, has obtained eligibility for the first time.

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Foreign policy gridlock

The first reaction of some Clinton supporters last week, when the Democrats lost control of both houses of Congress, was to suggest that from now on the president would concentrate on foreign policy, which has come to be seen as his greatest strength.

That in itself is a remarkable development. Bill Clinton won the presidency two years ago by arguing that his predecessor spent too much time on foreign policy and not enough on America's domestic problems. For most of the time since he has been portrayed as hopelessly inept and indecisive in foreign policy. Only lately, as his domestic programme ground to a halt, has his foreign policy performance, notably in Korea, Haiti and the *Middle East*, begun to look a little better.

It is also true that the balance of powers between president and congress is more favourable to the former in foreign than in domestic policy. But that is not saying much. Foreign policy involves spending money, and the president cannot spend money, even abroad, without congressional authority. The world was abruptly reminded of this last week when Mr Clinton had to end US participation in the enforcement of the arms embargo on Bosnia: an action which might make sense if it were part of an overall strategy to help the Bosnian government achieve military victory, but which in the present context serves only to destroy a very delicate consensus among the leading powers that took well over a year to reach, and in the process badly undermines what is left of the Atlantic alliance.

The president also has to obtain the consent of the Senate for his nominations to ambassadorial posts and other senior positions in the state and defence departments (though not in the National Security Council). His Republican predecessors often had difficulty with this, not from Democrats but from a fellow Republican, Senator Jesse Helms, who regards the entire foreign service as a bunch of liberal elitists, and who is a master of the art of procedural delay.

Mr Helms is deeply suspicious of almost all forms of US engagement with the rest of the world, especially those (such as the Uruguay Round) that take a multilateral form and require the US to abide by rules that other countries have a role in setting and administering. He describes the United Nations as "that long-time nemesis of millions of Americans ... which costs the American taxpayers billions of dollars". He is against virtually all foreign aid, except aid to Israel. He even disapproves of efforts to make peace between Israel and Syria, since for him it is axiomatic that Syria's desire for peace cannot be sincere.

Come January, Mr Helms will be chairman of the Senate foreign relations committee. Mr Clinton's freedom of action to pursue any foreign policy of his own will from then on be severely constrained. Those who rely on US leadership and commitment in confronting the complex problems of the post cold war world would be well advised to look elsewhere.

Unsafe as houses

In the absence of high inflation, it was inevitable that the British housing market should suffer a hard landing after the giddy price spiral of the 1980s. Less easy to rationalise is the failure of the market to respond to economic recovery. Even after the recent increase, nominal interest rates are low by historic standards. The ratio of house prices to earnings looks similarly depressed. Yet the latest monthly survey from the Royal Institution of Chartered Surveyors suggests that prices and activity have remained stagnant at a time when a seasonal uplift might have been expected.

The impact of the government's tax increases on personal incomes is an important factor, since mortgage lenders advance money on the basis of a multiple of post-tax income. Yet the more potent restraining influence is probably the state of the personal sector balance sheet. Whereas the corporate sector has paid down debt and returned to financial surplus since the trough of recession, the personal sector is still struggling with the burden of debt incurred in the 1980s and the subsequent plunge in house prices. Mortgage debt between 1988 and 1993 rose from 26 per cent of the equity in British homes to an unprecedented 46 per cent.

Hardest hit are the million or so households with negative equity, where borrowers are trapped in their homes until they can save enough to repay debt, or find that inflation comes to their rescue. Since the average value per household of this negative equity is only £5,100, less than 10 per cent of the value of the average house, it would take only a small increase in prices to do the trick. Yet the gap may be harder to close than simple arithmetic suggests.

For a start, the adjustment in the personal sector balance sheet is proving a slow and painful process. Young first time buyers who might normally have emerged at this point in the recovery are absent because they bought prematurely in the panic of 1988-89. And for those who are still able to borrow, the investment logic in housing looks less compelling. Interest rates may be historically low in nominal terms, but they are high in real terms, especially when the borrower is investing in an asset that is not keeping pace even with today's very subdued rate of inflation.

In the long run things may look different. The demand for housing increases with rising earnings, while the supply of land is fixed. The poor scope for productivity growth in house building ensures a rising cost of housing relative to other goods. Against that, demographers expect a lower rate of household formation over the next 30 years as the population ages. This would reduce demand, unless older households turn out to want more valuable homes.

For the moment, though, the dull state of the housing market looks like a symptom of a sustainable, non-inflationary recovery. Unfamiliar, perhaps even un-British, but long overdue.

Sweden's Yes

In the end, Sweden's vote to join the European Union was close, but clear enough. It was always going to be a hard decision to reverse all those years of staunch neutrality and independence. The fact that both the main party leaders, plus the heart of the business establishment, threw their weight behind a Yes vote must have convinced the waverers.

Now Austria, Finland and Sweden have voted to accept the membership terms laboriously negotiated with Brussels, the pressure will be on the even more sceptical Norwegians to follow suit. If they stay out, as a majority still appears inclined to do, they will be extremely isolated in northern Europe. They are and will remain members of the European Economic Area, which gives them most of the advantages of the single market, but no real influence on all the rules and regulations which underpin it. The terms they have negotiated with the rest of the EU are, by any objective measure, a good deal. Even such a notorious sceptic as Mr Jan Henry Olsen, the fisheries minister, said so. It would be good for Norway, and good for the EU, if they now vote Yes as well.

However, it is up to the rest of the Union to prove to its new members, from the obvious Euro-enthusiasts in Austria to the Euro-sceptics in Scandinavia, that the club is worth joining. By their accession, they will strengthen those voices arguing for free trade and budget discipline – for they are all going to be net contributors to the EU budget. They will provide a very healthy counterbalance to the rather more protectionist influence of the southern Mediterranean member states. They will bolster the free trade lobby headed by the UK, Germany and the Netherlands.

They will also bring more votes for environmental protection, for open and democratic decision-making, and for high social standards, aims which have not proved so popular in London, at least. But the EU is nothing if it is not about the process of consensus-building and shared decision-making. Striking deals will inevitably become more difficult as the Union grows, but this means that more effort must be made to streamline the process, to reduce the bureaucracy, while at the same time providing maximum flexibility for the devolution of decision-making – so-called subsidiarity.

Once Norway has voted, the EU can turn its attention in full to the real challenge of the end of the 20th century – which is to bring the fledgling democracies of central and eastern Europe into the fold. In both economic and political terms, it will prove a far more difficult process than the relatively painless task of embracing three or four prosperous western democracies. It will require far more adjustment in the policies and institutions of the EU. But it is the most important enlargement of all for the security, stability and long-term prosperity of the continent.

The entry of Sweden could prove a turning point in the fortunes of the European Union, writes **Lionel Barber**

Positive vote for a bigger club

Sweden's Yes to membership of the European Union in Sunday's referendum vindicates the EU's enlargement strategy.

With the people of Austria, Finland and Sweden having voted in favour of membership of the club, pressure will mount on the Norwegians to follow suit in their November 28 referendum.

Whether or not Norway follows its immediate neighbour, there is now the prospect of a new Nordic dynamic for the EU that will offset the tug towards the Mediterranean which took place with the entry of Greece, Spain and Portugal in the 1980s.

The entry of Sweden – the most powerful of the newcomers – could prove a turning point in the EU's fortunes after two years marked by recession, monetary instability and divisions over the conflict in former Yugoslavia. "It shows that Europe is still attractive," said Mr Jacques Delors, outgoing president of the European Commission.

Mr Delors was worried that a No vote in Sweden would have emboldened Euro-sceptics in Denmark, the UK, perhaps even his native France. It would also have sunk hopes of coaxing fish- and oil-rich Norway into the fold. Finland would have been left isolated, and a Sweden outside the EU might have provided a focus for deeper Nordic co-operation in competition with the EU.

Instead, three – possibly four – wealthy, industrious states are on schedule to enter the Union in January 1995. Each agrees, broadly, on freer trade, tighter budgets, stricter environment rules and greater openness in decision-making.

Sunday's vote in Sweden means that the Scandinavians and Austrians have finally come in from the cold. For most of the post-Second World War era, Austria, Finland, Sweden and Norway kept western Europe at arms-length, cherishing their neutrality and viewing the political aspects of the (then) European Economic Community with suspicion. All four joined the UK-led drive in 1959 to create a free-trade rival known as the European Free Trade Association.

The fall of the Berlin Wall in 1989 left the EFTA states facing instability to the east and caught in a political vacuum. With the EU entering its most dynamic phase with the creation of a single market and plans under way for a single European currency, the Union suddenly looked an attractive option.

Mr Delors, fearful that premature enlargement could dilute the forces of integration inside the Twelve, proposed a half-way house called the European Economic Area. The EEA offered the benefits of the single market but not full membership. Businesses in the non-EU countries were forced to accept dozens of regulations and decisions over which they had no influence. "We were silent partners," says President Martti Ahtisaari of Finland.

New member: Swedes celebrating the clear Yes vote in Sunday's referendum on joining the European Union

Such commercial considerations were important in the applications by Austria, Sweden, Finland and Norway for full EU membership. But there was also a hard-nosed political calculation: EU membership looked a safer bet than limited regional co-operation or relative isolation within the EEA.

"We need to be part of the political processes which have great impact on Norway's future," said Mrs Gro Harlem Brundtland, Norway's prime minister.

The first impact of enlargement will be to prod the Union into looking less inward and more outward, especially towards the east. The Nordic countries want Brussels to pay more attention to environmental disasters in the former Soviet Union; and they are committed to anchoring the Baltic states in western Europe.

The newcomers share a goal of early EU membership for the central and east Europeans. In rough sequence, enlargement might begin with the Czech Republic, Poland and Hungary, followed by Slovakia, Bulgaria and Romania, and the Baltic states.

Second, enlargement will affect the union's trade policy. In the Council of Ministers – and inside the European Commission – a delicate balance exists between the EU's northern liberal wing and the more protectionist "Club Med" countries often led by France. In future, the balance is likely to tilt toward a more liberal regime.

The Nordic countries are also expected to line up behind Britain, Denmark, the Netherlands and, usually, Germany in opposition to over-generous state aid. Similarly, the addition of net contributors to the EU budget may give extra weight to the Anglo-Dutch-German campaign to control spending at the expense of the "Poor Four" – Spain, Greece, Ireland and Portugal – which benefit from extra regional aid.

Third, enlargement is bound to further erode the neutrality of Austria, Finland and Sweden (Norway is a member of Nato). The three are expected to be drawn progressively into the Western European Union, the EU's fledgling defence arm. But partly out of sensitivity to domestic public opinion and to Russia, the process will be slow.

On the surface, expansion of the EU looks like a victory for UK-led arguments in favour of "widening" Europe rather than "deepening" integration. The newcomers are not centralisers and support the principle of subsidiarity, the principal of devolving decision-making from Brussels where appropriate.

But enlargement is double-edged from the UK's standpoint: the Austrians and Scandinavians enjoy generous welfare state provisions and are determined to strengthen the EU's social policy which is such an anathema to the UK.

Moreover, all four newcomers accepted the Maastricht treaty in their accession negotiations. They show little inclination to follow the British policy of seeking treaty opt-outs in areas such as the planned European monetary union. They are likely to be in the vanguard of moves towards greater integration.

Finally, enlargement means that institutional reform is back on the agenda. Decision-making is hard enough with the present 12 member states, each with veto power in areas such as fiscal policy. Sixteen member states means more working languages, more European Commissioners and, possibly, more paralysis – and adds to the pressure for streamlining at the 1996 Inter-Governmental Conference to review the Maastricht treaty.

The question is: how much? With one eye on the next enlargement to central and eastern Europe, Germany's ruling Christian Democratic Union has already floated ideas for organising a Union of between 20 and 25 member states, built around a Franco-German "hard-core" committed to faster political and economic integration. But France is hesitant about a further surrender of political sovereignty; the UK remains unremittingly hostile.

This is a complex subject upon which the finest minds in Europe have only just begun to ponder. The tendency so far appears to be towards a minimum set of rules and obligations, with no member state having the right to stop others able and willing to move at a faster pace.

This is a message that suits the Austrians and Scandinavians. They have spent 30 years on the outside looking in. They have had a vigorous debate on the merits of membership. Now they are committed to making it work.

High political price to partnership

Hugh Carnegy on Scandinavian divisions over EU entry

Swedes are not given to hyperbole, least of all Swedish diplomats. But no one in Stockholm thought it was out of place on Sunday night when Ms Anita Gradin, ambassador to Austria and soon to be the country's first European commissioner, declared: "Sweden is writing history tonight. This is the most important decision we in Sweden have taken in the post-war period."

By voting to join the European Union, Sweden and Finland (which held its referendum last month) have cemented a profound change of direction that will affect their strategic allegiances, political alliances and economic development.

However, the subdued countenance on Sunday evening of Mr Ingvar Carlsson, the Swedish prime minister who battled hard to achieve the 52.2 per cent to 46.9 per cent Yes victory, reflected the defensive mood in which both Sweden and Finland (which voted 56.9-43.1) have embraced EU membership. A similar mood can be detected in Norway, where uncertainty surrounds the outcome of its referendum on EU entry in 13 days.

The Nordic countries may be on their way into the heart of Europe, but a large proportion of their people remain hostile to – or at least sceptical about – EU membership.

The move to join the EU came relatively recently. As late as 1990, Mr Carlsson continued to hold his Social Democratic party back from abandoning its traditional opposition to membership. A year later, with recession looming and the end of the Cold War removing a vital obstacle to neutral Sweden's participation in the EU's political structures, Mr Carlsson abruptly swung the party in favour of joining.

The application for membership lodged by Sweden prompted a similar move by Finland which was afraid of being left behind on the fringes of Europe. It also saw an historic opportunity to cement its position in the west while Russia was in disarray following the collapse of the Soviet Union.

In Norway, Mrs Gro Harlem Brundtland, the Labour prime minister, also judged that the applications by Sweden and Finland gave the political impetus needed for an attempt to overturn the Norwegian rejection of membership in 1972.

In Sweden and Finland, a majority of voters has now accepted the case for membership made by the mainstream political, business and labour establishments – accepting the move from neutrality towards European security structures, from small-nation independence to political co-operation, and from self-sufficiency to economic integration.

But the pattern of voting showed the divisions created by the referenda in Sweden and Finland. Most striking was the way southern, urban areas voted Yes and the less-populated rural and northern areas voted firmly No.

In Sweden, most regions voted No. Majorities for entry came only in the heavily populated areas around the three main cities – Stockholm, Gothenburg and Malmö.

> Most regions voted No. Majorities for entry came only in the heavily populated city areas

For Mr Carlsson, there were other worrying features. Opposition to change among first-time voters was higher than might have been expected from young people. There was also strong opposition from women, who are heavily employed in Sweden's generous welfare system which they fear is under threat from EU membership.

And some 45 per cent of those supporting Mr Carlsson's Social Democratic party voted against membership. Those who voted Yes were mainly higher-income supporters of right-of-centre political parties, such as the conservative Moderate party led by Mr Carl Bildt, the former prime minister. It is the better-off who expect to gain most from EU membership.

In other words, what might be described as the most characteristically "Nordic" part of the electorate – those dependent on the welfare state and those outside the big cities – rejected membership. They rallied instead to the No campaign led by a minority of the Social Democratic party leadership and two small parties, the Left party and the Environmental party.

Mr Carlsson's pro-EU campaign argued membership would give Sweden the economic stability needed to correct the huge imbalance in public finances and help the battle against unemployment – now 13 per cent of the workforce. He rejected the No campaign argument that EU membership would erode the welfare state.

But if the economic fruits of membership do not come through quickly, the split in the Social Democratic party over the EU could widen and become a long-term problem – not unlike the difficulties over Europe Mr John Major, the UK prime minister, has experienced in his Conservative party.

A similar pattern can be seen in Finland's vote for EU membership. Mr Esko Aho, the prime minister who led the successful campaign to join the Union, has had to deal with a bitter internal battle in his rurally-based Centre party, split by fierce opposition to EU membership from farmers. The party, suffering also the political consequences of having led the government through a deep recession, is now expected to lose power to the opposition Social Democrats in next March's general election.

Norway's Mrs Brundtland also presides over a party that is split on the EU issue. She knows that if she wins a Yes in Norway, the country will, like Sweden and Finland, be divided geographically and politically. If Norway votes No, however, a wider divide will open between Scandinavian neighbours that have long sought to stay in step with one another.

The Nordic move into the EU is, indeed, a historic move. But forging a new relationship with Europe looks likely to impose a steep price on the politicians who have led the campaign for EU membership.

OBSERVER

Read all about it

■ Whatever city English-speakers find themselves landing up in these days, there seems to be a local English-language newspaper ready and waiting. From the Moscow Times to the Buenos Aires Herald, someone wants to tell you what's going on in their neck of the woods.

Two new ones have now joined the ranks. Prague yesterday saw the launch of the Bohemia Daily Standard, a tabloid backed by Bank Austria and publisher Erik Best, aiming for sales of 10,000 in a city with about 30,000 English-speaking expatriates. It's edited by Francis Harris, who covered the former Czechoslovakia for the UK's Daily Telegraph.

Meanwhile in Switzerland, The Geneva Post was launched on Monday. Publisher Jacques Werner, a lawyer who also publishes academic journals on arcane legal matters, hopes his paper will appeal to Geneva's large expatriate community attached to numerous UN and other international organisations.

Werner, who has hired former Independent foreign editor Harvey Morris as editor and is aiming to sell around 10,000 copies, apparently has only one prejudice – he doesn't want to see the phrase "gnomes of Zurich". So we won't mention that.

But what a pity that both papers missed the chance of snapping up Andrew Neil, former editor of the Sunday Times, who has now severed most of his links with Rupert Murdoch. Maybe the Phnom Penh Post is scouting around for a new champion . . .

Battle stations

■ Takes a naval man to restore discipline. For the first time in living memory photographers will have to wear morning dress at tomorrow's state opening of Parliament if they want to take pictures in the House of Lords. Admiral Sir Richard Thomas, a former deputy supreme allied commander in the Atlantic, who took up his duties as Black Rod a couple of years ago, has been increasingly concerned by the clothes sense of some paparazzi. Last year's turnout was felt to be particularly sloppy.

Accustomed

■ Lawrence Watson, of Hay management consultants, confessed to delegates at the company's annual international conference – just ended in Prague – that not everything had run smoothly from the outset.

The problem was that a Czech customs officer questioned Hay's import of 400 copies of *The Empty Raincoat*, the latest book by employment theorist Charles Handy, one of the speakers. The

'You're in luck – another vacancy for a keeper's just come up'

books were stopped at the border while customs officers fired off a fax to ask: "Are the raincoats made of wool or cotton and are they for males or females? We don't know how much duty to charge you."

Flying blind

■ Is Mickey Kantor, President Clinton's trade representative and tub-thumping promoter of US commercial interests, going a bit soft? He arrived at this week's informal summit of Apec leaders in Indonesia on a Singapore Airlines flight. And that despite this year's diplomatic fracas over Singapore's caning of an American student. "At least the plane was a Boeing," protested an embarrassed Kantor aide.

Late delivery

■ Yesterday's letter in the FT from Mike Flanagan, network director of Post Office Counters, caught the eye. Not so much for his comments about the growing popularity of franchised post offices with customers, but his statement that 95 per cent of Britain's post offices have been run by sub-postmasters for the past 350 years.

Business must have been pretty slow for the first couple of hundred years until Sir Rowland Hill introduced the modern postal system in 1840.

Loose cannon

■ Karl Lamers, foreign policy spokesman for the Christian Democrats in the German Bundestag, is fast turning into Chancellor Kohl's unguided missile.

Lamers wants to set up a "hard core" of states at the centre of Europe and forge ahead with European federalism, much to the irritation of several European governments. One of those least happy is his own. Bonn's finance ministry takes exception to Lamers' suggestion that France, Germany and the Benelux countries will automatically form the "core" of European monetary union.

Londoners have the chance to hear for themselves when Lamers brings his federalist roadshow to town on Thursday, speaking at the Royal Institute of International Affairs and the European think-tank, Federal Trust.

Will he tone down his federalism once at the heart of Euroscepticism? Let's hope not; some snap, crackle and pop would make a nice change.

Speeding bullet

■ You've heard of Japan's bullet-train, now meet Brazil's bullet-proof train. Next month a private company plans to resume train services between São Paulo and Rio de Janeiro. It's got an unusual marketing gimmick. In a bid to prevent passengers being caught in the crossfire between Rio's police and drug traffickers all the windows are to be fitted with bullet-proof glass.

Black whole

■ Robin Aspinall, Panmure Gordon's extremely bearish UK equity analyst, has, it's fair to say, a sceptical view of the Channel Tunnel. To wit: "What is the difference between the National Lottery and the Channel Tunnel? With one of them, investors as a whole stand to get as much as half their money back."

FINANCIAL TIMES
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Russian prime minister told not to cut armed forces' funds too severely

Yeltsin warns of friction with US

By John Lloyd in Moscow

President Boris Yeltsin yesterday forecast new friction between Russia and the US where the Republican party took control of Congress last week.

He also warned of an increased nuclear threat from developing countries, scolded his military chiefs for inefficiency and told his prime minister not to cut too much from armed forces' funds.

In remarks to military commanders in Moscow, Mr Yeltsin sounded a more bellicose note than he has before, though his speech was cast in the form of requiring his forces to be on guard against an increasingly dangerous world.

In his first public comment on last week's US elections, which returned Republican majorities in the Senate and the House of Representatives, Mr Yeltsin said:

Yeltsin: scolded military chiefs

"After the victory of the conservatives in the US mid-term elections we can expect a certain toughening of the US stand in foreign policy and military issues. We should acquire contacts with the Republicans to balance our relations."

Although not specifically referring to the US, he did say that the "international situation is quite unstable" – a marked change from last year's rhetoric when he proclaimed that Russia no longer had any enemies. Mr Yeltsin said Russia could find itself drawn into political, ethnic and economic conflicts. "There is only one solution: to increase the readiness of its armed forces," he said.

He told Mr Victor Chernomyrdin, the prime minister, who also attended the meeting with the commanders, to ensure that the military had enough funds so "they are not pushed down the road of commerce – they have their own objectives. You gave your word to guarantee the financing of the army and I believe you." His remarks appeared to provide a rationale for widespread claims that military commanders are engaging in illegal commercial operations.

The Interfax news agency quoted him as saying that 385,000 personnel had been cut this year, giving an official total of 1,917,400 under arms. This is likely to be cut to to 1.7m by January 1996.

He said the military leadership, headed by General Pavel Grachev, the defence minister, "does not fully carry out my orders to tighten military discipline, law and order".

Gen Grachev has been under pressure in the state duma, the lower house of parliament, to resign following corruption allegations in the high command. So far, the president has protected him.

The duma will take a vote of confidence in the minister on Thursday.

UK national lottery sells 7m tickets in first 12 hours

By Raymond Snoddy

Camelot, the operator of the UK's first national lottery for more than 150 years, said last night it was "absolutely delighted" with sales of more than 7m tickets in the 12 hours since yesterday's 7am launch.

The total was nearly three times as much as Camelot's informal estimates for the first day. In some places, people queued outside retail outlets selling the £1 tickets.

By yesterday's launch, more than 10,000 outlets had on-line computer terminals, and a further 2,500 terminals are expected to be connected before Christmas.

The lottery hopes to raise £32bn ($52.48bn) over seven years, with an estimated £9bn going to causes such as charities and the arts. It was launched yesterday in London in a marquee in the grounds of the Tower with the help of a string octet, partly drowned out by a group of Morris dancers and a fireworks display in the drizzle over the Thames.

Mr John Major, the prime minister, pronounced it "a people's lottery". He said the country would be richer for the lottery, with everyone benefiting.

At exactly 7am Sir Ron Dearing, the Camelot chairman, pushed a wooden plunger that looked like a toadstool, apparently to initiate ticket sales around the country. The plunger was precisely that – and not connected to anything.

Early-morning guests in the grounds of the Tower – there were also official launches in Belfast, Cardiff and Edinburgh – were not, however, able to buy tickets. As a result Mr Major had to be driven to a newsagent in central London, where he spent £5 and promised to donate the more than £2m jackpot to Mencap, the mental health charity, if he won.

Mr Stephen Dorrell, secretary for the National Heritage, the department responsible for the National Lottery, also promised to buy lottery tickets and to give any winnings to Age Concern.

Mr Dorrell warned that he had no early plans to change the rules on how money flowing to the arts – one of the five beneficiaries – from the proceeds of the lottery should be used.

Mr Chris Smith, shadow heritage spokesman, welcomed the lottery launch but wanted to see the benefits felt in every community in the country.

The main questioning voice came from the Salvation Army, which suggested that punters should give all their lottery stake to charity to rather than the 28p in the £1 that the lottery will give to good causes.

US rallies support on N Korea

Continued from Page 1

North Korea has to disclose to the outside world the extent of its existing ability to manufacture nuclear weapons. Meanwhile, Pyongyang is to receive aid to pay for the installation of $4bn worth of safer light water reactors.

Mr Clinton's discussions yesterday focused particularly on Japan and South Korea, which are to provide the bulk of the finance, but he also secured valuable support from China, one of the few countries with influence in North Korea.

China was pleased with the deal and "will play a positive role in promoting peace and stability in the Korean peninsula", the foreign ministry spokesman said after Mr Clinton's meeting with President Jiang Zemin.

The US president also urged South Korea and North Korea, which has reacted coolly to recent overtures on investment from Seoul, to resume bilateral contacts.

Specific matters were also raised with Mr Jiang, including human rights.

Mr Clinton offered Mr Jiang a compromise to resolve a highly contentious arms issue, described by the Americans as a "potential time bomb" for US-China relations. The proposal would absolve China of penalties if it disclosed sales of M-11 missiles to Pakistan, US officials said.

As the issue of East Timor continued to dog the talks, Mr Clinton, asked whether the US had softened its stance on human rights in favour of trade deals, said Washington continued to raise the issue with Indonesia.

The US had obtained assurances from Indonesia that the students who had invaded the US embassy compound in Jakarta over the weekend would not face retribution, he added.

Norway vote

Continued from Page 1

European co-operation," said Mr Svein Aaser, president of the Confederation of Business and Industry.

But Mrs Anne Enger Lahnstein, head of the Centre party and the leading anti-EU campaigner, called for anti-EU activists to mobilise all their resources. "I believe our arguments against the EU will remain valid," she said.

On Saturday, one public opinion poll put EU opposition at 48 per cent, with the Yes camp at just 29 per cent. But some surveys have suggested that Norway's Eurosceptics would be more inclined to vote in favour of membership if Sweden joined. Reflecting that was another poll which gave the Yes camp 49 per cent and the Nos 51 per cent.

Threat to coalition grows

Continued from Page 1

to form a government with Labour.

Mrs Robinson is understood to have taken legal advice yesterday. However, her conviction that early elections could disrupt the peace process will be further underlined by her own visit to Northern Ireland tomorrow.

The Dublin rift threatens to halt progress on the joint framework document being negotiated by the UK and Irish governments for a durable political settlement in Northern Ireland. After a meeting yesterday in Dublin with Mr Dick Spring, the Irish foreign minister and Labour leader, Sir Patrick Mayhew, the Northern Ireland secretary, indicated that progress had been made, although he refused to be drawn on a date for completion of the document. "The nature of the problems is better understood, and the way to overcome them is better understood," he said.

The UK government aims to start exploratory talks with loyalist political representatives before the end of the year, Mr Major announced yesterday. Speaking in London, he confirmed that the government was ready to begin talks with Sinn Féin, the IRA's political wing, by the end of the year.

He said the purpose in both cases was the same: to draw the paramilitaries "into democratic politics and out of violence". Mr Major said last week's killing of a post office worker by suspected Republican gunmen reinforced the need to "deal with" the weapons held by republican and loyalist paramilitaries.

THE LEX COLUMN

Testing the metal

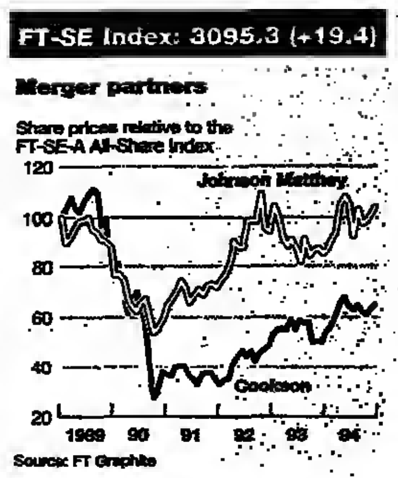
Mr Richard Oster, Cookson's chief executive, and Mr David Davies, Johnson Matthey's chairman and chief executive, are both ambitious men. Neither seems fulfilled running a medium-sized public company. The suspicion is that the main drive behind their merger talks is size for size's sake. A combined group would be able to embark on larger acquisitions than either company individually.

If Cookson and JM do consummate their marriage, synergies will doubtless be claimed. But from the information so far available, it is hard to see these being substantial. True, there would be cost savings from eliminating one or other head office, but that would be true if any two businesses were merged. Synergies may also come from putting together the companies' electronics and precious metals operations: Cookson and JM make complementary electronics products which may be able to share a distribution channel. JM's precious metal refining business may also be able to wring some extra profit from a vertical relationship with Cookson's precious metal fabricating arm. But neither prospect looks terribly exciting.

Even without much in the way of industrial logic, shareholders in one of the companies could benefit if they received a particularly large slice of the merged entity. Yesterday there were suggestions that JM shareholders might do somewhat better than the company's relative market capitalisation would suggest. But if that were the case, the benefit to JM investors would be at the expense of Cookson's. The companies will have to put on a convincing demonstration of the industrial case for merger if shareholders are to be satisfied.

FT-SE Index: 3095.3 (+19.4)

Merger partners



Source: FT Graphite

BASF/Boots

Boots' reasons for selling its prescription drugs business are easier to fathom than BASF's motives for buying it. Boots' operations lacked critical mass in research and development. Discovering and bringing a new medicine to market is risky. The best way to reduce that risk is to have a broad portfolio so, if a drug is dropped because it proves unsafe or ineffective, alternatives remain. But Boots' drugs sales were insufficient to support such a large portfolio. When its heart-drug Manoplax failed, there was little to take its place.

In the short-term, BASF may discover some geographic and product synergies. Overheads, marketing and R&D can be rationalised. The price, at 1.6 times sales, is reasonable compared with the multiples paid for American Cyanamid and Syntex.

Even so, compared with Bayer or Hoechst, BASF will remain a pharmaceutical pygmy – about 30th in world rankings. Buying Boots will promote it from the fourth to third division. If the Boots deal is the first in a series enlarging its patented drugs business, BASF's strategy may work. As Sweden's Pharmacia has demonstrated, viable drugs companies can be constructed by amalgamating third division players. Innovative products could be secured by taking a stake in a US biotechnology group.

Though BASF's strategy may pay off, it is hard to believe it is the best use of the group's resources. BASF's strengths are not in marketing medicines. They are financial – its cost of capital is well below ICI's – and in technology-based heavy industry such as bulk chemicals. Galling though Hoechst's and Bayer's healthcare success may be, BASF would do better to concentrate on what it does best.

British Steel

There is no doubt the spectacular profits momentum at British Steel will continue as economic recovery in Europe gathers pace. But the six-fold increase in interim earnings per share will not stop investors asking whether now is the time to sell. The issue is whether the full cyclical upswing in earnings has been discounted in a share price up nearly 30 per cent against the market this year.

Higher prices and volumes will ensure that British Steel's pre-tax profits will soon rise to beat the £733m achieved in 1989-90, the peak of the previous cycle. The top of the current cycle is likely to be 1996-97, in which pre-tax profits could amount to £900m, some 33p of earnings per share. This far ahead, there is necessarily considerable imprecision about such forecasts – perhaps profits will exceed £1bn. But assuming a conservative outcome, the shares do not look cheap. At 159½p, they are trading at nearly five times peak earnings, not far short of the peak valuation in the last cycle.

Optimists argue that the recession due for 1998 or thereafter will be gentler than the previous one. British Steel, for one, believes that steady demand from Asia will offset the impact of downturn in Europe. If this were to be the case, the shares could arguably command a higher rating now, on the basis that the stability and therefore quality of earnings was set to improve. However, the optimistic scenario ignores the woeful lack of progress in eliminating subsidies and overcapacity from the European steel industry. The shares are supported now by an above-market yield, but a rerating would be undeserved.

BSkyB

The retail portion of the BSkyB flotation contains an unusual feature: shareholders will not know the price of the shares when they send in their application forms. They will write out cheques specifying how many pounds worth of shares they wish to buy, but the price will be set later after a book-building process involving institutions.

The main advantage of the technique is that the time between pricing an offer and the start of dealing will be shortened. Typically in the UK, there is a delay of up to two weeks to give small investors time to turn round the paperwork after the price is set. By shortening the period, underwriting risk could be reduced and the proceeds from the offer increased. Such a system is common in the US.

BSkyB's sponsors must convince small shareholders to buy shares without knowing what their price-earnings ratio or yield will be. A similar technique was used in the third tranche of BT's privatisation. The difference is that then retail investors did not simply have to rely on institutions' judgment of what constituted a fair price; they were sold shares at a discount to what the professionals paid.

FT WEATHER GUIDE

Europe today

A complex area of low pressure over central Scandinavia will dominate a large part of Europe. Westerly winds will draw warm, moist air deep into the continent.

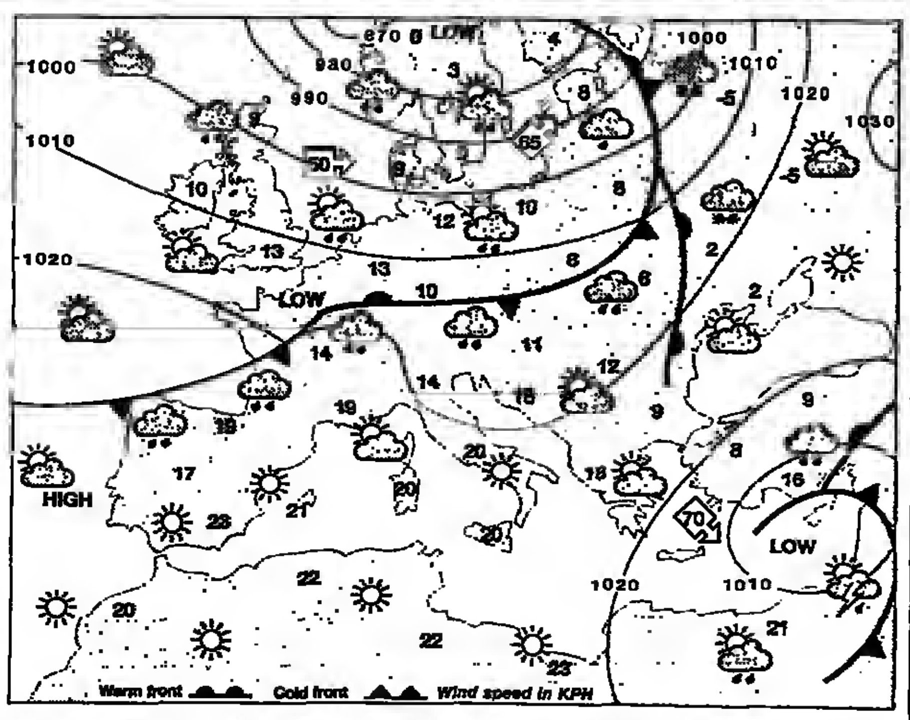
A sharp change to wintry conditions will occur over northern Scandinavia and near the border between Russia and Europe.

Plenty of rain is expected along the western coast of Norway and in parts of eastern France and Germany. Rain will also move into Poland and western Russia. Further east, there will be widespread snow.

The western and central Mediterranean will be tranquil and sunny with temperatures around 20C. It will be stormy at the extreme east of the Mediterranean where there will be heavy rain, thunder and a risk of severe gale winds.

Five-day forecast

During the next couple of days, Spain and Italy will be sunny and tranquil. Conditions will deteriorate during the weekend as heavy rain develops over almost all the Mediterranean. Western and northern Europe will be very unsettled, especially towards the weekend when there will be rainy and showery periods with some breaks in the cloud.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius	
Abu Dhabi	sun	31
Accra	fair	32
Algiers	sun	22
Amsterdam	fair	13
Athens	fair	15
Atlanta	cloudy	20
B. Aires	fair	30
B.ham	shower	13
Bangkok	fair	31
Barcelona	sun	19
Beijing	fair	6
Belfast	shower	10
Belgrade	fair	15
Berlin	fair	11
Bermuda	fair	25
Bogota	shower	20
Bombay	fair	33
Brussels	shower	13
Budapest	rain	11
C.hagen	shower	10
Cairo	cloudy	22
Cape Town	shower	20
Caracas	fair	30
Cardiff	fair	11
Casablanca	sun	20
Chicago	sun	10
Cologne	shower	13
Dakar	sun	29
Dallas	fair	18
Delhi	sun	28
Dubai	fair	31
Dublin	shower	11
Dubrovnik	fair	18
Edinburgh	shower	11
Faro	sun	22
Frankfurt	shower	13
Geneva	rain	13
Gibraltar	sun	20
Glasgow	shower	11
Hamburg	fair	11
Helsinki	rain	6
Hong Kong	fair	24
Honolulu	fair	30
Istanbul	fair	10
Jakarta	fair	31
Jersey	rain	13
Karachi	sun	35
Kuwait	fair	29
L. Angeles	fair	19
Las Palmas	fair	24
Lima	cloudy	22
Lisbon	sun	20
London	fair	14
Lux.bourg	rain	12
Lyon	rain	15
Madeira	fair	21
Madrid	sun	18
Majorca	sun	21
Malta	sun	21
Manchester	shower	12
Manila	cloudy	30
Melbourne	fair	22
Mexico City	fair	23
Miami	windy	25
Milan	cloudy	15
Montreal	shower	7
Moscow	snow	-5
Munich	rain	13
Nairobi	shower	24
Naples	sun	21
Nassau	rain	28
New York	cloudy	15
Nice	fair	18
Nicosia	thund	20
Oslo	fair	7
Paris	rain	14
Perth	sun	33
Prague	rain	11
Rangoon	fair	30
Reykjavik	sleet	2
Rio	shower	27
Rome	fair	20
S. Frsco	rain	16
Seoul	cloudy	12
Singapore	rain	31
Stockholm	cloudy	9
Strasbourg	rain	15
Sydney	fair	23
Tangier	sun	22
Tel Aviv	thund	22
Tokyo	cloudy	13
Toronto	sun	9
Vancouver	rain	7
Venice	fair	13
Vienna	rain	12
Warsaw	rain	10
Washington	cloudy	17
Wellington	cloudy	15
Winnipeg	sun	3
Zurich	cloudy	14

FINANCIAL TIMES SURVEY

COMPUTERS IN FINANCE

Tuesday November 15 1994

The world's financial institutions are looking with fresh eyes at electronic technology as they gear up to face ever fiercer competition, not only from within the financial services industry itself, but also from the world outside.

The articles in this survey deal with a number of the principal themes in financial technology including payment systems, image processing and database technology. They also cover management issues with a technological slant, including fraud and its prevention, and outsourcing.

There is some irony in the fact that these same technologies are facilitating many of the new challenges and lowering the barriers of entry to the finance business.

It could have been predicted, for example, that Swift, the banks' global electronic payments message system, would eventually face competition from an organisation outside the banking world with a global network and access to financial expertise. That competition now exists and Swift has been forced to announce price cuts and to lower its joining fee, in response.

Ibos (Inter-bank On-line System) is the kind of organisation which observers argue represents the new competition for Swift – in embryonic form, at any rate.

It is a joint venture initially between the Royal Bank of Scotland, Banco Santander of Spain – and Electronic Data Systems of the US, a subsidiary of General Motors and tbe world's largest computing services company.

Other members include Credit Commercial de France and Banco de Commercio e Industria of Portugal. The first US customer, First Fidelity Bancorporation joined tbis year.

Thomas Metz, director of global business development for Ibos in the UK, while rejecting the notion that Ibos is a direct competitor for Swift, says the group has built a cross-border cash management system – a digital superhighway for the banking industry.

Swift, meanwhile, is extending its business into the area of securities messages, and has applied to become a network supplier to the UK securities industry's yet-to-be-implemented Crest settlement system as part of a campaign to increase message traffic and revenues.

The threats to the traditional finance industry come from a multiplicity of directions. Microsoft, the world's largest software house, this year acquired Intuit, developer of tbe most popular personal finance software, Quicken, used by about 6m personal compiter users.

The deal, which is subject to scrutiny by the US antitrust authorities, gives Microsoft an important toehold in a market – home banking – where traditional banks have failed to make much of an impact. Microsoft, developer of MS/DOS-Windows, the most popular operatiog system for personal computers, also aims to take a leading role in the creation of the information superhighway.

International banks are by far the largest users of information technology in the business world. Above: the trading floor of Midland Global Markets, near Southwark Bridge, London — *Picture by Jonathon Cuff*

Management attitudes are more important than technology

While the fiercely competitive financial services industry is increasing its spending on information technology, it frequently fails to achieve the full benefits. Alan Cane examines the problem

One measure of the financial institutions' renewed interest in technology, after some years of cutting back expenditure, is growtb in the information technology budget. According to tbe consultancy Ernst & Young, US financial institutions will spend \$16.35bn on technology in 1994, 6 per cent higher than the previous year. Andrew Mayer of Ernst & Young estimates that the total will be \$19.8bn in 1997.

Comparable figures do not exist for Europe but the consultancy, Price Waterbouse, says that more than half the financial services companies it reviewed in its annual information technology survey inteod to increase their spending on technology, despite the fact, it says, that many IT projects have proved eventually to be failures.

This is hardly new, either in the finance industry or outside. What is depressing is that over the years there has been so little progress in ensuring that projects are brought in on time and budget.

The consequences can be expensive. Stewart Stevenson, senior manager for systems development at the Bank of Scotland, after listing tried and tested rules for successful project completion concluded with the admonition: "If you can print money, ignore all the above."

Clearly, many companies do. According to Price Waterhouse, some 25 per cent of companies believed that most of their IT projects were unsuccessful either because they were delivered too late and over budget, or because they had failed to meet user-needs.

"The results paint a depressing picture," commented PW. "With such significant difficulties in the delivery of IT projects, it is not surprising that there exists a big issue surrounding the integration of IT with corporate objectives. The result calls into question the extent to which the IT functions understand tbe business."

The PW result confirms the view of Nick Temple International Business Machines' general manager for the finance industry in Europe who argues that data processing departments in financial services companies have become unresponsive to the needs of the business, *(see interview, page two of this survey)*.

There are a number of technological developments which may result in some improvement in this unsatisfactory situation. An important element is the growth of object-oriented software development. Essentially, to take advantage of new business opportunities, software bas to be developed rapidly and accurately. Traditional methods of software development are slow and prone to error.

The principle behind object oriented software is the creation of libraries of software modnles which can be swiftly assembled in different ways to create new applications.

In the end, however, management attitudes are more important than technology. The Boston Consulting Group baa established a number of rules for successful computer projects (a somewhat similar list to Mr Stevenson's) of which the most important are:

- Never to commission information technology projects (it is *the business imperative* that is important).
- Quantify the benefits at every stage of the project (if you do not measure benefits, you will not achieve them).
- Make sure the managers understand their jobs are on the line if the project fails (in too many cases, nobody has continuing responsibility for a project).

It gives the example of a big European bank which was considering requests from its managers for 300 individual computer projects. There was no agreed way of measuring the benefits, political rather than business needs dictated priorities and most of the projects were under-staffed.

Initial analysis revealed that many of the projects were unattractive. The bank refocused its activities so that only the most attractive projects went ahead and these agreed projects were fully resourced. The result was a \$400m increase in the economic value (net present value) of the projects over their life.

Concentration on core competences is the watchword for the early 1990s, however, and a number of financial services institutions are beginning to question their involvement in data processing. Some are actively considering, or have implemented, the outsourcing of parts of their information technology operations. IBM, for example, is managing the automated teller machine network of one of the largest building societies.

There is a fine balance, however, between operations which can be outsourced and those which must he kept in-house, One High Street bank whicb outsourced about 20 per cent of its operations told the consultancy Business Intelligence: "Financial services these days is so competitive that if you have an idea – and we have several in the bank at the moment which are being pursued – there is no way that we are going to let any outside supplier anywhere near it."

ON OTHER PAGES

COMPUTERS IN FINANCE 2

Michael Dempsey on new approaches to retail banking

Keeping customers happy

Ten years ago, Ken Pilbeam was head of marketing at Compucard, a project to promote telephone shopping. It was an era of unbridled optimism – and Mr Pilbeam shared the common dream of technology sweeping through the retail sector to revolutionise the most mundane purchases.

Today, he is head of operational systems management at Barclays Bank, and despite commanding a formidable arsenal of technology, Mr Pilbeam is no longer an IT visionary – "with the remote shopping idea in the '80s, we encountered significant consumer resistance. We didn't realise that social interaction is important, that people want to get out and about when they shop."

This has proved a useful lesson for Mr Pilbeam: under the £100m Customer System Project, 1,100 Barclays branches have joined a new approach to the retail customer. A central database has been constructed to hold 14m customer records. The hig idea is to pull together previously separate processes, such as current account versus deposit, and replace them with one flow of data relating to each individual.

The Customer System is aimed at eliminating the delays that characterise opening a new account. Rather than take forms from a customer, then process the risk involved and get back to the customer after an extensive credit check, Barclays wants to be in a position to approve and issue an account number on the spot.

A central index held on an IBM 3090 mainframe at the bank's Gloucester data centre is accessed via smaller IBM RS 6000 processors at each branch. The central index integrates data from customer accounts at branch level, Barclaycard and the bank's financial services operation. This goldmine of information is also a mountain of data to store. The database alone holds the equivalent of 72m sides of A4 paper.

Although the end-prodnct should make itself felt at branch level, Barclays' has had to take a strategic view of the IT requirement thet powers the

Keith Durham: rapid options must be in place if a system fails

Customer System. Huge quantities of data are best handled by a combination of mainframe computer and dedicated storage capacity. Tha Gloucester data centre, run under the aegis of Barclays' IT arm, Barclays Computer Operations (BCO), has installed extra storage capacity.

US data storage specialist EMC applied a Symmetrix 5500 syetem. Essentially, a sophisticated series of interlinked hard disks similar to those found in an office PC, the Symmetrix provides an electronic filing cabinet that holds data for the IBM mainframe.

This box cost £750,000 including maintenance over a five-year period. it is not wholly dedicated to the Customer System, but with a storage capacity eqnivalent to 10,000 desktop PCs, the EMC 5500 illustrates the kind of technology thet is necessary to keep a huge retail project up-and-running.

If this impressive investment is to pay off, the retail customer must sense the bank is offering a reliable service. Sudden interruptions to normal service attributed to the catch-all excuse "the computer is down" are fatal to customer relations in a competitive high-street market.

Keitb Durham, a customer account executive at Barclays' Cheshire computer centre, has studied the options for Business Resumption Planning Procedure (BRPP). In the event of a hig eysteme failure at Gloucester, the operation could be run off another mainframe site within a couple of hours.

This is the dramatic end of BRPP. What It really boils down to is having paper forms under the counter to cope with any collapse in the branch server – "we don't want our staff to have to twiddle their thumbs while customers wait for a service. You've got to have procedures in place to handle any type of failure," says Mr Durham.

Telephone banking services such as Midland Bank's First Direct or TSB's Teleservice are being touted as the ohvious direction for retail hanking. Multimedia branches offering an array of automated terminals that stretch existing Automated Tellar Machine (ATM) technology into the world of interactive video and live links to financial advisers are under review by most large banks.

The Nationwide Building Society bas been running a pilot remote banking installation in Aylesbury, using technology from Siemens-Nixdorf, for the last year.

In Italy, a large number of institutions compete in the retail banking sector. So national branch networks are not as extensive as in the UK where the historic competitioo has been between four operators. Italian banks have been swift to install automatad branches designed by Olivetti as a comparatively cheap means of rapid expansion.

The impetus behind these developments is cost. A presence on every high street is expensive in terms of real estate and staff salaries. One of the Italian automated branches will cost aroumd $1m to huild and equip.

Reliability is a key component of retail banking. Pilbeam expresses reservations about automated hranches running intelligent multimedia terminals – "the technology is still not perfect. Even if the failure rate is only one per cent, that can put people off. There will be resistance until it becomes the norm."

Barclays appears to be steering clear of the herd instinct in retail banking. By putting appropriate data at the disposal of branch staff, it is gamhling that the customer still wants a human face behind the counter. Relegating the computer terminal to a vital supporting role may prove to be a crowd-puller.

WHOLESALE BANKING SYSTEMS

Still room for enhancement

It is essy to take electronic links between tbe global banking community for granted. The sheer scale of automated payments make these transactions appear commonplace. The UK's Clearing House Automated Payments System (Chaps) handles £90bn worth of payments every day. These payments are settled on a daily basis, with the danger of one participant being unable to honour a transaction termed settlemeot risk.

The idea of failure in such a system seems faintly ludicrous. Cbapa has processed up to 76,000 items in one day – the very extent of computerised transactions leods the whole system a clinical air, but there is still room for improvement, and Chaps has commissioned systems house Logica to undertake a £3m enhancement of its service.

Tbe aim of this project is realtime gross eettlement (RTGS). Chaps needs to move heyood a reconciliation of accounts at the close of trading and into RTGS. This prevents a payment instructioo going through unless the sender has funds or central bank backing to cover the transaction.

Logica wrote the original gateway software that translates Chaps messages into a suitahle form for the network. Now its consultants are moving UK banks to RTGS while Chaps cootinues normal operations.

"It's an evolutionary change that should be implemented by the end of 1995," says Eric Sepkes, a director of the Chaps governing body and London-based vice-president with Citibank. Mr Sepkes Identifies the policy of building oo an existing system as a Chaps strategy – "the whole idea is not to start from scratch," he says.

RTGS migration is one obvious path for electronic settlement systems across the globe. But other striking trends are emerging in the international financial messaging market.

The Royal Bank of Scotland joined forces with Banco Santander, Credit Commercial de France and Portugal'a Banco de Comercio e Industria in 1991. Together they launched the Interbank Online System (Ibos), described by the participants as a virtual banking association. Ibos links the customer networks of the participating banks without reference to existing financial infrastructures.

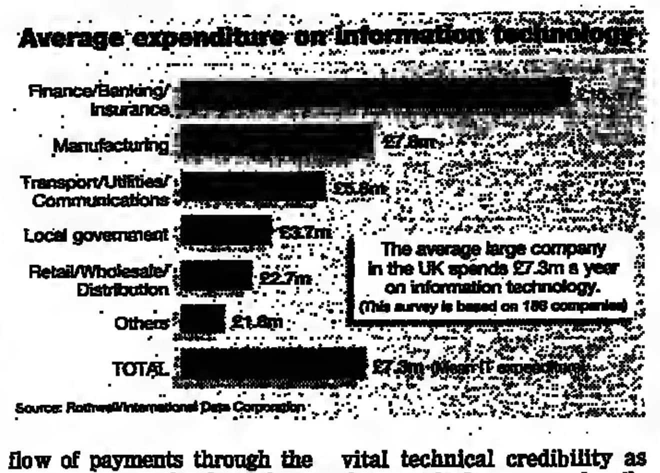
John Bertrand, managing director of Ibos, is hlunt about the motivation for the £5m project. Existing structures were not up to the job, he says – "the old method involved a flow of payments through the correspondent banks. There would usually be four banks involved in passing on one transaction."

Ibos has been perceived as a challenge to worldwide Swift international funds transfer system. Mr Bertrand is not too worried by that perception – "Ibos is different from Swift: we don't compete directly because Ibos has evolved to the next level. Swift is a hub-based system with technology dating from the 1970s. Ibos allows users to send a message direct, wherever they want."

This simple function flies in the face of traditional wholesale banking practice, where payments would be passed down through the network. While Swift's system enjoys worldwide acceptance it is dependent on this heritage of correspondent banks.

Ibos used network expertise from British Telecom and computers from Digital Equipment for the initial phase of operations. In January this year the US computer services giant Electronic Data Systems (EDS) joined Ibos. The Royal Bank of Scotland's own IT staff were able to integrate the first incarnation of Ibos.

But EDS made its reputation by managing other people's technology in a cost-efficient manner. By calling in the experts, the Ibos partners have tacitly admitted that they need help in expanding the network. EDS will certainly provide vital technical credibility as Ibos trawls for more subscribers willing to pay the £50,000 entrance fee plus another £48,000 for annual hardware and software rental.



Royal Bank of Scotland has moved its traffic off the Swift system and claims a cost-saving of 23 per cent on cross border transactions.

The use of third parties to handle the nuts and bolts of technology is an established practice in banking. Outsourcing IT contracts is big business, and the market for outsourced corporate telecoms in Europe is estimated at $11.7bn by 1997. Financial institutions will take up a large slice of this lucrative trade, and some players are diversifying from the money markets into data manipulation.

MW Marshall is one of the world's largest money brokers. Since September 1992, it has operated a wholly-owned subsidiary, Saturn Global Networks (SGN), that flashes critical financial communications around the globe for over 50 clients. SGN targets medium-sized banks that require their own secure network for voice and data transmission but are not willing to pay for a huge in-house project. SGN delivers computer intelligence in the form of local processors and appropriate communications software.

"Integration of voice and data is what the market wants," says Peter Hase, SGN business development manager. Hase and his colleagues deliver that capability while the banks stick to their core activity. It is a healthy reaction to the heady days of the 1980s when banks became preoccupied with IT and telecoms strategies.

Julian Wood works with City financial and training consultancy Profile – his experience of working on ambitious IT projects within commercial banks during the 1980s has convinced him that too many institutions still go in at the deep end when investing in IT.

"A lot of banks haven't really learnt the lessons of the last decade," he says. "They still put money into huge, 'inter-galactic' systems meant to cure all ills. What they *don't* do is get the planning cycle right. They should either take a long-term view, and accept that there will be hiccups and changes to the specification *en route*. Or they should only invest in short-term projects."

The rise of operations like Ibos and the demand for services offered by SGN suggest that a lot of institutions are getting out of Wood's overblown 'inter-galactic' projects.

Logica's enhancements to Chaps will add a new dimension to the banking capability without a wholesale redesign of the core system. Electronic networks are now part-and-parcel of commercial banking and many subscribers are learning that the smaller, less ambitious advances offer the most gain.

Michael Dempsey

Finance industry attitudes are changing fast, says Nick Temple of IBM

Pushing back to profitability

Nick Temple's translation earlier this year from chief executive of international Bnsiness Machine's UK subsidiary to general manager with responsibility for the company's business with the European financial community is indicative of the changes reshaping the world's largest compnter company.

Mr Temple, 46, has been largely credited with pushing through measures which have put the UK operation back on the path to profitability after two years of heavy losses. Now he has returned to the busiuess aector – tbe finance industry – where he built his reputation in the 1980s as a tough, no-nonsense manager with an acute understanding of the industry's direction. It is an area of critical importance to IBM. Europe is its largest market and the financial institutions among its largest customers.

The sector is in a state of profound change, he says – "it would be wrong to say the finance industry is coming out of recession, but its attitude is starting to change very significantly. Priorities are fundamentally different from only a year ago.

"Last year, heads of financial institutions were concerned about the management of change, controlling costs and finding ways to get the maximum benefits from their investment in information technology. Today, while the management of change is high on the list, the real concern is how to mobilise new technology to combat competition. Competition is starting to become a real threat."

The IBM mainframe computer remains the workhorse of finance industry data processing, hnt the compnter giant can no longer dictate its customers' computing strategy as it did in the past.

Mr Temple prefers to talk about collaboration, partnerships and teamwork. Some of his ideas are focused on the technological borizons: "We are planning to form partnerships with some of our customers to develop radical thoughts about ways of working in the future."

The "information superhighway," the convergence of compnting and telecoms to provide interactive multimedia services to the office and the bome, looms large in his thoughts. "Suppose you were setting up an electronic bank from scratch and yon were defining an agent (a piece of aoftware that you could inatruct to carry out your banking for yon) on the information auperhighway, what would it be, how would it look and bow would you go about doing it?

"This would be quite different from conventional ideas of home banking which are simply extensions of what goes on in the bank branch." He believes that to make home banking attractive for customers who may be intimidated by technology it will be necessary to combine it with other services – say, home shopping.

Nick Temple: a clear view of the industry's direction

Developments of thie kind will have their own consequences. Conventional retailers will have to work harder to make shopping a pleasure – or their customers will use the superhighway in preference to physical shops.

Most of Mr Temple's attention, however, is directed towards more immediate issues. He is a powerful advocate of improvements in risk management, pointing ont that the speed at which financial transactions are carried out and transmitted over networks could and has led to fraud and disaster – "if it's not applied in the right way, the technology becomes a liability and not an enabler."

And he is concerned about the delays which most financial institutions face in creating software to meet new business needs – "data processing departments in financial institutions have become unresponsive to business needs. They seem less attached to the business imperatives. What we have to do is conatrnct building blocks, using object-oriented technology, from which we can assemble aolntione quickly."

Object-orientation, a new fashion in software development, involves the construction of storable, re-usable software modules. An obvions idea, perhaps, bnt one whose time has come.

Mr Temple says IBM is now moving staff to work with customers on the development of the building blocks. A key element is the establishment of a design standard (architecture) for applications in the financial services area which will mean that different applications will work comfortably together – "Financial Applications Architecture is a data and process architecture. We have committed ourselves to developing applications using this architecture, but we are also providing hridges into other environments so it has to be fairly open."

A number of software development centres are being established in conjunction with large customers to ensure a good fit between the applications under development.

Since taking over his new job in May, Mr Temple has been busy establisbing tbe principles of how the new IBM will operate internationally. The essence of the plan is to be able to operate globally and seamlessly – "if an Italian customer wants something done in Australia, we will be able to do it withont cutting across national senaitivities," be says.

The idea is to get rid of the stultifying layers of bureancracy which have contributed to IBM's corporate aluggishness in recent years.

While in the past three years Mr Temple has been chiefly concerned with curing IBM's structural faults, he has some telling criticisms of the way his customers do business.

"I think many of the big financial institutions are concerned about a lack of connection with their customers. Not the big corporate bankers – they have often excellent relationships witb large clients. Bnt retail banks have poor relationships with tbeir customers and, as a result, customer satisfaction is poor."

He believes that banks, in spite of years of investment in technology, have not created effective customer information systems.

"If you walk into your bank as a gold star customer and you are asked to fill in a form, then something is wrong," he suggests.

"Retail banks have a poor understanding of which parts of the business make money and which do not. If they don't understand the profitability of each transaction, how are they going to manage customer loyalty?"

Alan Cane

PAYMENT SYSTEMS

Now the 'electronic purse'

For a range of transactions other than those involving relatively small amounts of money, electronic payment is now the norm. Consumers take it for granted that they can pay for goods with plastic cards, while retailers know thay in turn will get their money through electronic funds transfer at the point of sale (Eftpos), when customers' cards are swiped through authorisation terminals.

But developments are now taking place also at the lower end of the scale, whicb will make it possible for a new type of plastic cards to be used to pay for small-ticket items such as parking, newspapers and soft drinks. This area is known as the electronic purse.

"Plastic is accepted by consumers and retailers," says Ken Hansen, managing director of Verifone (UK), a leading supplier of the terminals used to authorise credit and debit card transactions. "Even the newer plastic debit cards, which take money directly out of a customer's account have taken off. In the UK, debit card transactions have just surpassed credit card transactions."

Individuals carry much less casb than they used to, but banks would like them to carry even less, because it is expensive to handle. it bas to ba counted and hole-in-the-wall antomatic teller machinea (ATMs) have to be kept stocked up. More importantly, cash does not earn interest when it is in the consumer's wallet. The latest cards, which a number of organisations are experimenting with, contain electronic money or units of value. These work rather like phone cards and can be of two kinds. They can either be throw-away cards (such as phone cards) or they can be smart cards, which can be reloaded with units when they run out.

Smart cards look like credit cards bnt have a compnter chip built-in. This enables them to store more information than a simple magnetic-stripe card. Many banks favour smart-card technology because the cards have more memory and intelligence and can be given a multi-purpose function. They are also more secure because it is harder to duplicate the information on a smart-card chip than a relatively simple magnetic stripe.

Examples of electronic purse initiatives include the Danisb DanMont card, which can be used to buy low-cost items; while in Singapore a combined credit, debit, loyalty and alectronic pnrse card has been jointly produced by a bank and a retailer.

Shell'a loyalty scheme is similar to a electronic purse. Customers who buy petrol from Shell service stations get points added to a plastic card and these can be exchanged later for goods.

In the UK, Mondex – a NatWest Bank cashless card, the British rights to which are shared with BT and the Midland Bank – is to be tested in shops in Swindon next year. NatWest wants Mondex to be used globally and has franchised it to the Hongkong and Shanghai Banking Corporation for use in several Asian countries.

As yet, there are no standards for the cards, for electronic-purse authorisation terminals, or for machines to reload them with units. However, a number of credit-card organisations around the world, such as Visa, Mastercard, and Europay are working with other companies to set standards for worldwide electronic-purse identification numbers (the kind of system that enables Visa cards to be recognised abroad), the location of the computer chips on each card and other important details.

Ona of tha companiea involved in standard-setting is VeriGem, a company set up jointly by US-based Verifone and French smart-card supplier, GemPlus. Mr Hansen says: "A year ago we saw the way things were going with rising interest in electronic purse cards and falling prices of Eftpos terminals and telecoms links. The 'electroulc purse' could be the biggest part of the payment market because all the low-value cash transactions added together are worth more than the large transactions."

He says many banks are experimenting with chip cards – and some have products which will be very close to the likely aventual standard. He expects a full standard to be agreed next year. Jack Large, of UK-based payment-card consultancy J&W Associates, believes electronic purse technology will start to pay off when it is brought together with account-based debit cards such as the UK's Switch and Visa Delta – "from one card you will get cash withdrawal, payment at the point-of-sale, and an electronic purse."

There are, however, a number of commercial issues to be resolved. Lars Mieritz, an analyst at the Gartner Group Europe, says: "We won't achieve a 'moneyless' society until financial institutions provide an incentive to consumers to replace cash."

With electronic purse cards, one advantage to the consumer might be convenience – "going to the ATM is a grudge transaction," says Mr Hansen. Yet, electronic money will only be more convenient for tha customer if refilling an electronic purse is easier than going to the cash machine.

Retailers are atarting to make far more use of the data they gain about customer purchases from electroulc payment systems. They are taking advantage of powerful computers (based on massively parallel processing) to analyse customers' spending and look for new patterns.

Joia Shillingford

The writer is associate editor of the FT's newsletter, Business Computing Brief.

COMPUTERS IN FINANCE 3

The number of City dealing rooms is shrinking, says **Joia Shillingford**

Dealers become more selective

City dealing rooms are shrinking in size, according to the 1994 UK Dealing Room Survey, which reports a drop of 4,365 dealing positions compared with 1990, a contraction of 14 per cent.

There are now also fewer dealing rooms overall – 1,533 compared with 1,712 in 1990. This contraction in the market, coupled with a more cautious attitude towards expenditure, means that dealing-room suppliers are having to work harder for their money.

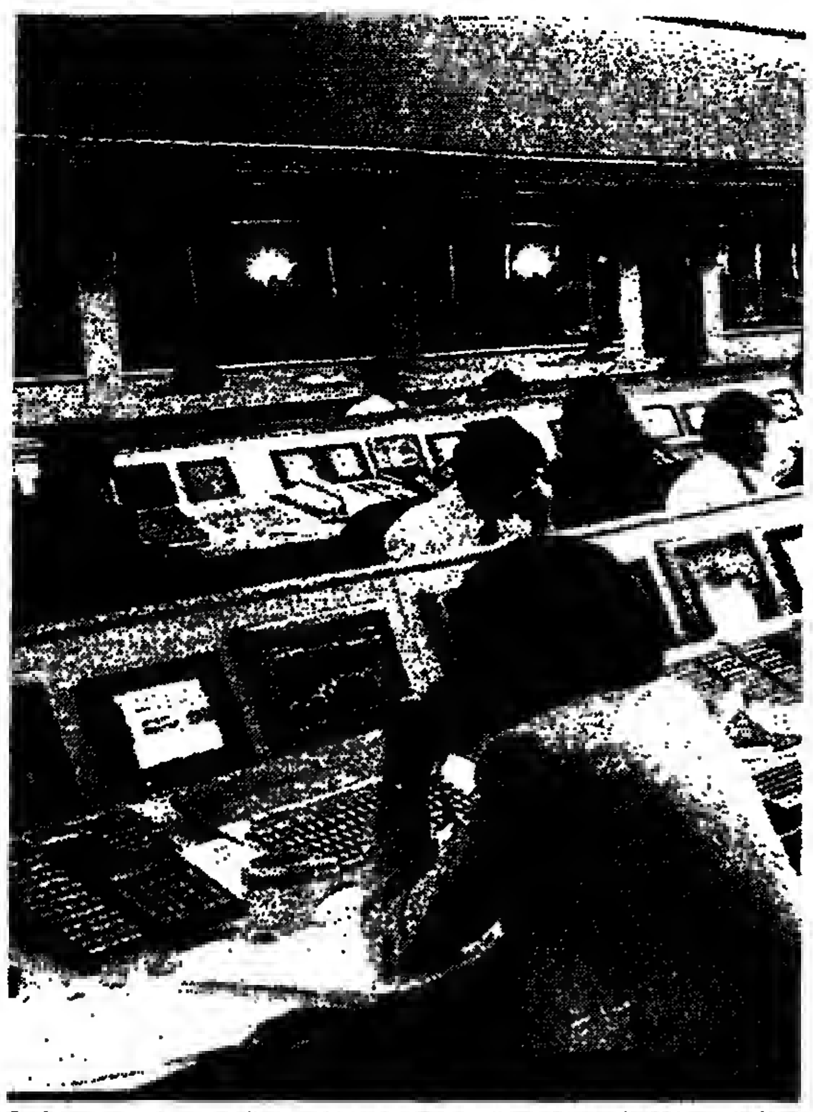
The increasing use of standard hardware, such as personal computers and Unix systems, has resulted, too, in suppliers *not* being able to differentiate themselves by the computers they sell. Instead, they must try to stand out by being better at fusing the many information products which dealers use into an integrated system. This is a complex process because different news and information feeds use different communications protocols, and display data in different ways.

Important suppliers in the market for equipping dealing rooms include Reuters (which owns Teknekron), Dow Jones Telerate, BT, Micrognosis, Capiti, ACT Financial, and some of the world's largest computer companies. Janet Wood, a spokesperson for Telerate believes that companies which have expertise in communications technology (such as information providers like Telerate and Reuters) have an advantage in this market, though BT's name also appears on a lot of dealing-room bids.

Customers are more interested in the information they get on their screens than on the technology they use to view it, says Ms Wood. This helps to explain why Reuters – the leading information vendor in this market – is also the dominant supplier of data management/dealing systems (with its Triarch and Teknekron systems).

Nearly 200 Teknekron dealer positions, based on Unix workstations from Sun Microsystems, were recently installed at Japanese company, Nomura'a UK subsidiary. Peter Green, Nomura UK's front-office systems director, says they provide data from Reuters, Telerate and Knight-Ridder direct to the desktop in a consolidated screen environment. Instead of the different services appearing in separate windows on the screen, they look as though they are all coming from the same place.

Nomura's new system also provides real-time spreadsheet capabilities. This means that as data comes in from information feeds, it can automatically update positions (for example the amount of a particular share/currency held) recorded in an Applix RealTime spreadsheet (sold by US-based Applix).



Dealers now expect to use larger, clearer computer screens, reports Microvitec, a leading supplier of specialist monitors. Enhanced liquid crystal display screens are on the way

Mr Green says: "By the end of the year, we should have another 100 users on the Teknekron system. We're moving away from a large host-based dealing system, to true client-server computing where processing is distributed."

The company plans to expand its dealing operations in a number of areas. Nomura is investing more than £10m in its new dealing systems.

According to the dealing-room survey, financial institutions will invest more than £1bn in new dealing room technology over the next 12 months. In addition to capital expenditure, they will spend a further £1.7bn in ongoing costs, including subscriptions to online information services and telecommunications costs for dealing. Financial online services will account for an average 65 per cent of this figure – costing about £40,000 per dealer per year.

More than 75 per cent of UK financial institutions use a Reuters information service, according to the same survey, with its nearest competitors being Dow Jones/Telerate, Bloomberg and Knight-Ridder Financial.

But Stephen Kimsey, author of the survey, says: "Although annual dealing-room spending on information services will increase, companies are cutting back on the number to which they subscribe. This now stands at around three per dealing room, compared with an average of four in 1993."

This is partly because companies are cutting back on 'me too' services, and partly because some of the leading information providers have added value to their services – making rival services less necessary.

Improvements include making services accessible through Windows-based interfaces (such as those available from AT Financial Information), adding more historical data, or providing information on extra markets (such as the Japanese equity market). In addition, Reuters has introduced a business television service and plans to transmit company annual general meetings live to dealers' desks.

But even without TV on the desktop, dealers can still suffer from information overload. They have so much information crammed on their screens that they are starting to want higher and higher resolution screens, says David Purcell of Microvitec, a leading supplier of specialist monitors for dealing rooms – "we are starting to see demand for CRT (cathode ray tube) screens with a resolution of 800 dots across and 600 dots down and for screens with diagonal screen width of 15in. or 17in. The problem is that the bigger the monitors, the more space they take up on dealers' desks."

One alternative is to use LCD (liquid crystal display) screens, such as those used in portable computers. These are much flatter and give off less heat. Sharp Electronics says its LCD screens will be used in a big dealing room system, where instead of several overlapping windows of information being displayed on a single screen, each window will be displayed on a separate LCD screen.

Meanwhile, the systems used by settlement staff in the back office are also changing – "the back-office market is developing, with many people downsizing from mid-range systems, such as IBM's AS/400," says Mr Kimsey. Most are planning to move to Unix or PC-based systems linked to the dealing room system.

"There is a quiet revolution going on. For years, the City wasted a lot of money on technology. Now people ask: 'Do we really need it?'. They are more interested in functionality than technicality," he says.

The big banks are looking carefully at the costs of message transaction, says **George Black**

Challenges for Swift

Swift, the Society for Worldwide Interbank Financial Telecommunication, still dominates the field of interbank messaging but it faces growing threats from other networks.

The Brussels-based company was set up in 1973 to automate the function then undertaken by telexes. Owned by a consortium of about 2,200 banks, it consolidated its position with the launch in 1990 of Swift II.

After numerous delays in delivery and considerable teething problems, Swift II re-established the organisation as market leader and standard-setter. The company's systems are used by around 4,300 financial institutions worldwide to process around 500m messages a year.

Swift is now better positioned than it was to resist competition. The new IFT (Interbank File Transfer) tariff is seen by customers as offering a more attractive proposition for bulk transport than the older FIN service, which was prohibitively expensive for some smaller banks.

Swift is also improving its service to customers in the trade finance sector and developing new EDI (electronic data interchange) systems to help it expand into trade services. It has extended its geographical coverage to around 115 countries and is shortlisted for the contract to run the Bank of England's Crest network for share settlement.

However, although these steps have helped to persuade most banks to continue to use its services, others are looking for alternative lower-cost message carriers. Faced with big competitive pressures of their own, the banks no longer regard Swift as the only possible network service provider.

"This could prove a threat for the future, though it is not one at present," says Roger Hedges, product marketing manager for ACT's Midas, one of the principal banking software systems. "We are still connecting to Swift and we are not being wooed by anyone else.

Swift's chief executive officer, Leonard Schrank, admits that the organisation had not hitherto been run on a competitive basis – "a civil service mentality had crept in, but in the past two years we have substantially transformed the company," he says.

Prices have been cut by an average of 30 per cent. In June, Swift announced a 70 per cent cut in the joining fee in an effort to speed up the recruitment of firms in the fast-growing securities sector, as well as a 5 par cent rebate of the charge for FIN messages.

The challenge could, however, come from several directions. The banks themselves may set up their own rival networks. A group has combined in a venture called Ibos (the Interbank Online System), run by six European banks.

Ibos, which was founded in 1991 by the Royal Bank of Scotland and Banco Santander of Spain, competes directly with Swift in its core business of international payments. The company's claim to offer a global service was strengthened in January when the US computer systems company, EDS, a subsidiary of General Motors which provides funds transfer services to financial institutions worldwide, acquired an equity stake.

Ibos's managing director John Bertrand claims that its technology is "the next generation" to Swift's, with much greater reliability – "our error rate is zero," he says.

Mr Bertrand says Ibos has letters of intent from eight banks wanting to join the group, including four of the top 25 US banks. Ibos's objective is to capture 10 per cent of the international payments market, with a customer base of 500 banks, in six years, he says.

Another challenge to Swift could come from the national telephone companias, either individually or as part of a group snch as the Financial Network Association (FNA). FNA began intra-bank operations early this year, with a small number of banks participating. It has members in 14 countries and is expected to add several more soon.

Another potential competitor is the UK-based company Scitor, set up in 1991 by Sita, the airline reservation system co-operative. It aims to meet demand for value-added network services in certain industries outside its main business, including finance.

Sita's structure and technology are similar to Swift's and it covers more than 200 countries. However, Scitor's market development manager for financial services Peter Wagner says that Scitor's services are complementary to those of Swift rather than competitive.

"Swift has a narrower focus than we have," he says. "Wa are not trying to take Swift's main interbank messaging business, but we are interested in the branch-to-branch area and in offering cash management services."

In this area Scitor is more likely to compete with EDI service providers than with Swift.

Although Swift has broadened its user base to include brokers and fund managers, it has not offered its services directly to multi-national corporations for fear of upsetting its shareholders.

Shares in Swift are allocated by volume of message traffic. The top 35 banks are said to generate half the traffic and are therefore in a strong position to influence Swift's plans. Some big companies have lobbied Swift for access to its network for a limited range of transactions, particularly confirmations of payment.

Swift has yet to clarify its plans, but its chairman, Eric Chilton, has recently acknowledged that a debate is going on within member-banks worldwide on this issue. Most corporates do not want to become banks, he believes. What they need is "straight-through processing facilities" which would minimise their costs and create standards, be said.

This is a key issue for Swift's management as it considers how best to respond to any competitive threat. Swift cannot afford to delay a decision too long. Some corporations, like the banks, are starting to look for possible alternative solutions.

COMPUTERS IN FINANCE 4

Philip Manchester finds database software companies are standardising communications between networks

Suppliers pool resources

The global spread of computer networks and "electronic money" is creating a new form of commerce based on the electronic transaction. At the same time, with the growing use of itemised telephone bills and networked services such as CompuServe, the value of each transaction is diminishing and so cheaper ways must be found to process such transactions.

"Wa are increasingly dealing with high volume, low value transactions," says John Spiers, UK marketing director of database software company Sybase. "We need to combine processing the growing volume of low value transactions with new ways to manage and control them."

Database appliers such as Sybase have in recent years started to huild the mechanisms needed to process financial transactions into their database software with the aim of reducing costs and increasing control.

"You need to be able to capture tha valne of the data which emanates from transactions so yon can exploit the information," Mr Spiers says. "A company like American Express, for example, can gear its marketing to individual purchases on a customer's monthly hill. If yon hire a car or book a hotel room, It can use this data to provide customers with information about these activities."

Pamela Pipe, a database product manager at software specialist Information Builders, sees the hidden value of the information in financial transactions as an opportunity for companies to gain a competitive edge – "the number of financial transactions is growing and this is driving people to find ways to analyse their data to find the value in it.

"You need the operational performance to process the transactions. But you also need the tools to bring out the information content – to pull out trends, to focus marketing and inform decisions about products."

Mrs Pipe also emphasises the need to draw together different data resources – possibly from different computer systems – to give a high-level view of a company's information: "We are working with large financial organisations – banks and insurance companies – to look at tha information spread around the network on a variety of databases. They need to hlend these together with their legacy systems to get the real valua from them," she explains.

In spite of rivalries, database software companies are starting to co-operate in order to bring different data resource together. Information Builders is working with Oracle and IBM, among others, to create

Financial managers are demanding on-line analytical processing (Olap) tools to improve corporate decision-making

the concept of the information warehouse.

This allows companies to treat their data aa a single coherent database which can be accessed by every employee. For example, databases can now refer to each other using a language called SQL. Originated hy IBM, SQL standardises communications between databases and allows a variety of tools to access data from the desktop.

SQL, by enabling the spread of databases across different computers, allows companies to take advantage of cheaper hardware. Traditionally financial transactions have been processed and stored on mainframe computers. Increasingly, the same tasks can be carried out on cheaper PC-based hardware. By combining many PC processors in what is called a parallel processor, transactions can be processed and the results stored on much cheaper hardware.

Neil Morgan, a marketing manager at Oracle UK, sees parallel processing as the future of high volume transaction processing – "with Oracle 7.1 we have added parallel query and update processing and we are seeing an order of magnitude improvement in response times and throughout. This means companies will be able to afford to process these low value transactions."

Oracle is also using the flexibility of more powerful PC hardware to lower the cost of setting up new transaction-based systems. Mr Morgan cites the example of a new credit card company. "They needed to be able to set new members up quickly so they have used a PC as the database server for the customer database. The transactions are processed on a larger systems but the basic set up for new members is carried out on a £20,000 PC system which supports over 100 users 24 hours a day."

This is possible because Oracle's database software works on different computers, from PCs to mainframes. This is a trend echoed by other database software suppliers including IBM. "We can offer the sama database technology right across the range – including computers from other suppliers," says Janet Perna, director nf databaae technology at IBM'a Toronto laboratory.

IBM's DB2 has filtered down from its mainframe computers to Its mid-range and personal products, bringing the same features to each level. At the same time, it lets customers access data from other suppliers' database software including Oracle and Sybase.

Ms Perna says that customers want better access to their data – wherever It might be. She says the trend towards client/server computing – which gives users desktop power and access to company databases on the network – is a part of this. "The motivation for client/server computing is to give users a better interface to their data and make new applications easier to use."

However, this approach causes systems management problems. The need to bring a variety of data resources together and make sure that they are used properly makes the underlying software much more complex.

Database software suppliers are acutely aware of the problems of coping with the explosive growth of electronic financial transactions and have a wide range of solutions to offer. What is encouraging is that they are all moving in the same direction and making it easier for customers to pick and choose the tools they use to accessing and manage their data.

COMPUTER SECURITY

Worries over fraud

It is an article of faith that hackers and fraudsters never even *think* of attacking financial institutions. And were sucb an unlikely event to occur, they could not possibly succeed in penetrating the physical and electronic security that protects the cash and data assets of these respected bodies.

This is the diplomatic line that all banks adhere to, even as tbey invest millions of pounds in security measures.

The truth is that banks *are* seriously concerned about the rise of ingenious hackers and the growing awareness of computer fraud as a practical criminal tactic.

Paul Rogers is marketing manager for self-sarvice systems at AT&T's UK computer arm – the company supplies 70 per cent of the Automatic Teller Machines (ATMs) in Britain.

Mr Rogers agrees that most attacks nn ATMs are physical assaults aimed at wrenching out the cash box, but that is no cause for complacency. "Designing ATMs is a case of trying to keep one step in front and making an effort to pre-judge what could possibly happen," he says.

Mr Rogers is determined to pre-empt the resourceful hacker. He notes that the latest generation of ATM is hased around the industry standard OS/2 computer operating system. The core of this cash dispenser is no different from office personal computers that have sold hy the million.

This is a mark of the triumph of open systems and common standards, but it throws up an unpleasant possibility – because there are many people out there with an intimate understanding of the OS/2 platform. How can potential hackers he discouraged from turning this knowledge against AT&T's clients?

Mr Rogers' answer is to create a customised security shell around the central chip and its software – "we give the customer an open system, hut we protect that system from risk. Our Self Service System Software (S4) will not allow a thief to breach an ATM and then lay another program on to the system or download customer information that's stored on a remote host computer."

Fraud involving cash and credit cards remains a hig problem, however.

Frank Hickman is a principal consultant with Unisys, the computer systems company. He joined Unisys from consultanta Touche Ross where he investigated the practical applications of artificial intelligence (AI). Put simply, AI is a field of technology that attempts to replicate the human brain through computer programmes.

Despite many duhious claims by developers in the past, AI seems to have thrown up a useful product in the form of neural networks.

"Neural technology means a program can be shown many examples of a process and can then understand and discriminate within that data or process," explains Mr Hickman.

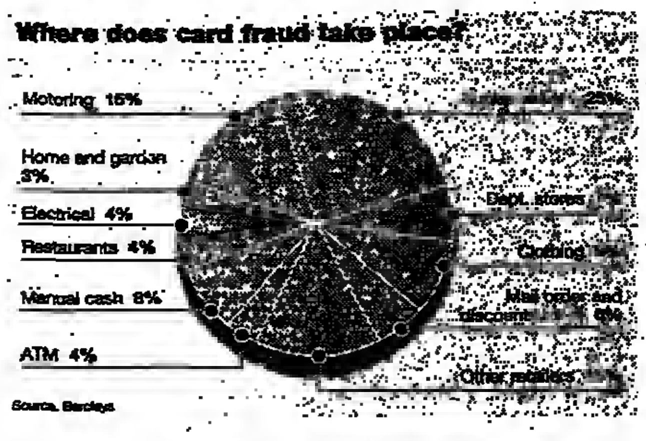
This search for a recognisable pattern has an instant attraction for banks. The speed of credit card transactions makes spotting a stolen or counterfeit card more difficult.

Some institutions such as the Royal Bank of Scotland claim success in the battle against fraud by adding account holder photographs to bank cards. But check-out staff under pressure might neglect to check a signature properly so there is no guarantee that a photo will be any more likely to grab their attention.

If a neural program can sit on the network and spot a break from the typical spending pattern of one consumer, then fraud can be intercepted. This solution means looking at the transaction itself – and that can only be done using clever software. Mr Hickman characterises the prohlem as "M25 fraud – thieves zooming between superstores via the motorway system."

While banks have to protect themselves from the fraud that springs from common theft, they are also coming under increasing pressure to regulate the kind of funds flowing into accounts. International initiatives against drug trafficking and organised crime can have expensive consequences for financial institutions.

Where does card fraud take place?



Source: Barclays

The US Treasury now requires banks to ensure that a transaction is not destined for an account that has been blocked on grounds of criminal connections.

The Treasury'a Office of Foreign Asset Control (Ofac) can impose a fine of $10,000 – $500,000 for each example of non-compliance. So the total fine for a series of infractions could run into millions of dollars. A bank may only be one stop in a chain of destinations that culminates in a bank account with a blacklisted country or individual. But if that bank is "the first stop" the funds make in the US, then it is culpable.

When Ofac issued its blacklist of embargoed accounts, 18 months ago, the US arm of the UK systems house Logica set about devising a solution for banks that could not monitor every transaction manually.

Its response to the problem of inadvertent money-laundering is Hotscan, launched in September. This is a $25,000 program that automatically scans all payments and messages against a database of blocked accounts.

Hotscan resides on a personal computer but is linked to the bank's own payments system. At the final stage of payments processing, Hotscan refers each transaction to the blacklist database. If it spots a match, Hotscan flags the transaction indicating that action is necessary.

According to Philip Izzo, senior vice president for international funds transfer with Logica in Boston, Hotscan has already made its mark – "the Bank of Nova Scotia in New York is the first Hotscan site to go live," he says. "In the first hour of operation, Hotscan caught out a payment going to a bad guy!"

Mr Izzo reckons that Hotscan will soon be in action in Europe – "we developed it with an eye to the future: we hear that money-laundering is a concern in the UK. US regulators have become more aggressive with the banking community, and there are suggestions of more mandatory controls in rest of the world."

Michael Dempsey

DOCUMENT IMAGE PROCESSING

Middle managers close ranks

Middle managers in British financial services companies have for several years successfully closed ranks against the large scale introduction of document image processing.

The larger the institution, the more layers of middle management it has and the less inclined it has been to embrace image processing on a large scale. A large number of jobs are at stake.

Only in autonomous or green-field operations without such a hureaucratic beritage have image systems been widely installed.

Most financial firms remain intensively paper-bound. The rise in their office productivity in the past decade has been minimal compared to that of the manufacturing sector and they still await their equivalent of the just-in-time systems revolution.

Imaging has the potential to bring huge savings on storage space and to simplify office routines drastically. So far that potential has not been fulfilled.

But the middle managers may not be able to hold out much longer against this type of automation. Systems suppliers are confident they will soon be ahle to convince boards of directors that they cannot do without the new technology.

Once critical mass has been gained, image processing could proliferate in the same way as word processing did in the 1980s, affecting the prospects for middle managers much as word processing did those of typists.

This threat has been staved off so far partly because middle managers have claimed that it was impossible to do away with paper because paper gave them the structure of their work. Without it people would not know what to do next to process a claim on an insurance policy or authorise a loan.

This argument is being undermined by the progress of workflow systems, which can take over the task of supervising the sequence of actions.

While no convincing cost-justification could be made for adopting image processing from the early implementations which began in the mid-1980s, David Allcock, marketing manager for Wang UK's workflow and imaging division, insists there is now strong evidence that image processing can cut costs and improve customer service and staff morale.

At Birmingham & Midshires Building Society, for instance, the average time taken to approve a mortgage application up to the point of an offer has been cut by image processing and workflow systems from five weeks to three.

A atudy hy the society revealed that out of the five weeks which the task had been taking the actual processing of the application took only seven and a half minntes; the rest was all waiting time.

The new aystems have enabled inquiries to be carried ont in parallel instead of in sequence, according to the society's bead of lending services Chris Marney – "a file can be in several people'a in-trays at once. It's no longer so easy for a file to go missing. And without a pile of paper on their desks the staff feel a lot better about their work."

At the TSB, a productivity improvement of about 20 per cent resulted from a rationalisation of the processing of general insurance claims. This involved the introduction of image processing and workflow systems. Fred Shaftoe, TSB's director of customer service for general insuranca, says the benefit came mainly from bringing discipline into processes which were previously "a hit of a shambles."

"When a customer calls you can answer the inquiry at once, instead of having to get up and search for the file, which is impressive," he says.

In some European countries bank statements are being issued to customers incorporating miniature copies of their cheques. This service has not only reduced the number of queries but proved popular and has spread from Switzerland to Austria and Belgium. British banks have yet to approve its use.

Another argument often used against investing in imaging was its high cost in a proprietary mainframe environment. But as the prices of powerful workstations and personal computers have fallen sharply, it now looks much more attractive to downsize to client/server systems using these machines. The cost of installing image systems is proportionately lower.

Images are stored on optical disks; a 5.25-inch disk can hold about 30,000 A4-sized pages and a jukebox of disks can hold 10m gigabytes of data.

Phillip Jones, an account manager for software supplier Filenet, estimates that it is now possible to support four times as many users at a quarter of the cost needed five years ago and to store four times as many documents.

Many applications involving documents in finance companies look ripe for automation. Most of these companies already use scanning to capture a customer's initial hand-written inquiry, but few of them follow this through the entire system to gain the full advantage.

"The market leaders are beginning to make strategic integration of these systems, but they are still the exception rather than the norm," says Steve Ball, a product marketing manager for Rank Xerox.

The systems usually come from several different vendors, so that snch integration demands the creation of a new set of standards. A central standard is likely to be Postscript, the document reproduction aystem daveloped by Adobe Systems, which recently merged with the desktop publishing firm Aldus.

An important emerging standard is Den, the document enabling networking standard which is backed by a group of systems vendors led by Xerox and the network software company Novell.

Recently they have been joined by several other significant forces in the industry, including a subsidiary of Eastman Kodak and the leading database supplier Oracle.

Tha likely rapid spread of image processing systems may cause alarm among the thousands of people in the supervisory tiers of finance companies.

But Mr Allcock of Wang UK argues that they can only avoid redundancy by welcoming the technology and acquiring the new skills which will be in demand, not hy continuing to try to hlock its advance.

George Black

SOFTWARE DEVELOPMENT

Rapid delivery vital

The ability to build programs quickly has always been a goal for computer software developers. Users always want their new applications immediately and seldom understand wby it takes so long to translate their requirements into working code.

Over the past decade, fast delivery of new software has become more viable, partly because hardware and softwara technologies hava improved but also because the techniqnes for building software are better understood.

Software construction can be viewed more as an exercise in engineering than the arcane craft it once was. Applications can increasingly be assembled quickly from pre-fabricated components rather than carved from solid blocks of stone.

The competitive nature of financial services makes fast delivery of software more important than in many sectors. So it is no surprise thet banks and insurance companies are pioneers in what has come to be called Rapid Applications Development (Rad).

Early experiences of using Rad techniques show that companies can make new applications work fast enough to gain an edge over their competitors.

David Sprott, marketing director of Texas Instruments' software division, says: "An investment company wa are working with in the US succeeded in putting in en advice system in 10 months instead of two years."

The system had to provide a service, giving investment advice to the public via a touch-tone telephone network – "using our tools and Rad techniques, it was able to build the system in phases and deliver it well ahead of the expected schedule," he says.

The Sumitomo Bank is another example. It used Rad techniqnes and development tools from the software supplier Uniface to huild a bond lending and tracking application in eight months.

Bnt Mr Sprott says that although tools are important, there is much more to Rad than automating the production of programs –"it's more important to see it as a set of management processes. Yon need a method to allow you to pnt software together that suits the business problem."

He identifies user involvement, "timeboxing" and what he calls iterative development as being as important as the tools. Texas Instruments moved into the Rad market from a strong base in computer-aided software engineering (Case) where its Information Engineering Workbench (IEW) has long been a respected software tool. Its experience in the Case market has shown that tools must exist against a background of sound management and an understanding of users

Continued on facing page

COMPUTERS IN FINANCE 5

MULTIMEDIA SYSTEMS

A vision of the future

While the excitement surrounding multimedia computing makes it hard to ignore, many find it equally hard to see how it can be used by business beyond applications such as training and presentation.

Early attempts to bring graphical user interfaces (GUIs) to personal computers in the mid-1980s faced similar resistance. While the potential of graphics was exploited quickly in computer games, it took several years for GUIs to achieve credibility in business applications. Initially, senior executives dismissed GUIs – and graphics in general – as a distraction and worried about the effect the technology would have on worker productivity.

Ten years on, the idea of a PC without Microsoft's Windows or a comparable GUI is unthinkable. Thus it seems likely that by 2004 a computer without multimedia features will be as dated as the original IBM PC with its "glass typewriter" interface is now.

There is some way to go, however. A survey by Touche Ross earlier this year showed that, in spite of much interest in multimedia technology, more than two-thirds of UK companies had no plans to use it – mainly because of the lack of useful applications at present.

Robert Baldock, a partner at Andersen Consulting, says that the finance sector could take the lead in using multimedia technology – "there are changes evident in the way that retail financial services are structured which will make multimedia important," he suggests. "People are using bank branches less and less and a trend towards telephone banking is emerging. Midland Bank, for example, set up First Direct because of this and others have followed. Consumers are saying that they want convenience and faster response to their needs. Multimedia technology offers a way forward."

Mr Baldock is putting these thoughts into practice on a pilot project with the Nationwide Building Society aimed at creating what he calls a "virtual bank."

"The idea is to create an environment on the screen which allows customers to browse through the banking services at their leisure," he says. "We have done this by building a prototype 'kiosk' which recreates a real bank. The opening screen is a picture of a bank in the High Street. You can 'walk' in through the door and move around in a three-dimensional graphics environment – pointing at things and seeing how they react."

Mr Baldock says to develop an element of fun in the virtual bank every item on the screen reacts to the user. "There is a pot plant in the lobby which, when pointed at, will bloom. There is also an infra-red remote control to activate videos on various banking services. If you go up to a counter, you can activate a video-conferencing system which lets you speak directly to an adviser and so on."

The system is only at the concept stage but a production version is planned and, ultimately, the virtual bank will be available across a network for home use.

Multimedia systems will offer banking customers a faster and more convenient service

The convergence of multimedia and networking will serve as a stimulus to both technologies. Recent advances in networking will soon make it possible to offer a wide range of multimedia services in the home – and virtual banking promises to be one of first.

Home banking is one of the leading applications of multimedia and networking technology, according to Anne Perlman, vice-president of multimedia at US computer manufacturer Tandem. "We are finding our customers are moving toward multimedia in financial services, although it is still early in the cycle. The networking technology will let us take this into the home and the multimedia technology will make it attractive to consumers," she says.

But Ms Perlman notes that home banking alone is not unlikely to cause a breakthrough. She sees it as part of a range of networked services – "our research shows that people like a range of services: video on demand, video-conferencing, home shopping and, of course, home banking. It is when all these are brought together that people start to get interested."

Tandem is also looking at combining multimedia technology with existing data processing technology – especially in the area of processing financial transactions. Ms Perlman says that multimedia provides an ideal way to present multi-dimensional information based on traditional data processing.

"We can see multimedia giving us ways to put lots of different variables together on a screen and show things like company performance. If you wanted to look at P/E ratios, risk exposure and stock variations over a period of time, you need to present the data in three dimensions. Multimedia technology lets you do this."

Tandem has also looked closely at the system management problems associated with the convergence of multimedia, networking and traditional data processing. Transaction billing, mail order and royalty collection present special difficulties, says Ms Perlman. "There are so many different billing and payment methods involved in multimedia networks and we have not, as yet, been able to find suitable software to do this."

Tandem is working with 32 of the world's top telecom companies on telephone billing systems and expects significant growth in transaction billing as the number of multimedia "content" providers increases.

This is likely to change the way people buy and sell products. Mr Baldock of Andersen Consulting sees the changes beginning to have an effect on banking: electronic transactions as a percentage of the whole rose from 20 per cent in 1985 to 37 per cent in 1992. He expects this to rise to 40 per cent by the year 2000.

Philip Manchester

User case study: Leeds Permanent Building Society

Award-winning strategy

No chief executive? No worries, if the latest results of the Leeds Permanent Building Society are anything to go by. Anyone examining Leeds' promising 1994 results might be forgiven for thinking that its board's 18-month long search for a new chief executive is almost irrelevant: the UK's fifth largest building society is already in good hands.

Moreover, according to John Millar, executive director in change of information systems, the Leeds is setting its sights wider, and higher, than being just the the fifth largest building society.

"If you look at it in terms of tha wider competitive base of banks, building society and insurance companies, then we're no longer in the top 10. Our strategy is to be the best provider of home and family services, and that mission is still valid."

Mr Miller is one of what he calls "the troika" – the team of three executives left at the top when former chief executive Mike Blackburn left to take charge of the Halifax Building Society in February 1993.

Under Mr Blackburn, the Leeds prided itself on innovation, and information systems came high on the agenda. The team he left in charge (all appointed from outside the mainstream of the building society world) has proved its worth, moving the Leeds forward in the aftermath of the recession.

The Leeds has delivered record financial results and developed innovative ventures such as Leeds Life, the new lifa insurance company, and Leeds Unit Trust, an in-house unit trust company, in the care-taking hands of financial director and acting chief executive, Roger Boyes. A year ago the Leeds' brief flirtation with the National & Provincial came to nothing, and it has continued to re-inforce its own brands, such as Liquid Gold and the Home Arranger, with extensive television advertising.

In the 1993 annual accounts and directors' report, Mr Boyes put on record (and up-front) his belief in the need to change, and keep changing: "If we are serious about putting the customer first, then nothing about the way we do things, the way we're organised or the products and services we offer can remain unchallenged."

Commercial director, Chris Chadwick oversaw the business process management initiative, which asked staff to participate in an overhaul of procedures, with the aim of making the entire organisation more responsive to customers' needs. More than 7,000 suggestions for improvements were forthcoming, according to Mr Chadwick – "some have been small and incremental, others have meant re-engineering our systems."

A big re-engineering process has already taken place over the last year with the development of a unified customer database, the first step in customer-focused services.

Bringing about the change in information systems is John Miller's job. Although there was a strong technical emphasis when Mr Miller arrived at the Leeds three years ago, he found an IT department that waited to be told its role – "the organisation was in technical response mode. The IT people regarded their jobs as translating the needs into a technical solution, not actually identifying the needs."

John Miller: "Customer-care comes first"

Leeds' operational systema, explains Miller, had to be re-aligned "to recognise customers as individuals, rather than a series of account numbers." As in many financial institutions, there had been significant investment in separate applications, running on different computers. Mortgages, savings accounts, such as Liquid Gold, and general and life insurance, were all separate products, with account numbers which attached the customer to thet particular product, regardless of other products or services. There were 4.3m customers, hut 7m customer records.

The aim was to create a unified, customer-oriented database which would enable the Leeds to recognise its customers as users of multiple services, and to satisfy their needs in different areas by cross-selling further services and new products.

Olivetti, Unisys, and IBM, and BT were already the main technical partners. The IBM mainframe-based mortgage package had been augmented in 1990 by a Unisys-based package of software and hardware. In the late 1980s, more than 420 branches had already been automated and networked using Olivetti's IBIS cashiering and counter-top applications, running on linked PCs.

The branches had to retain the ability to give instant decisions an important element in a competitive market – "we put the emphasis on a strong service proposition, such as the Home Arranger," says Mr Miller. "At the moment of truth, eyeball-to-eyeball with the customer, the person in the branch has to have tha ability to say yes, without referring things elsewhere."

Mr Miller's strategy was to build on the existing Olivetti workstations that already provide all the familiar front-end facilities in the branches, with IBM's DB/2 relational database in the background. It "slid in" to replace the former IDMS, so that end-users in the branches did not even realise there had been a change, apart from having more facilities.

"The DB/2 database meant we could look at the customer and tell all the products – mortgage, visa card, unit trusts, whatever – they were using. First, it gives you cross-selling ability, secondly you can be more responsive to individual customer needs."

Information systems played no small part in the break-off in negotiations with National & Provincial a year ago: it would have been impossible to integrate the two product lines and supporting systems.

Leeds takes pride in its robust attitude to IT as a servant, not a master. This year it became the first UK building society to achieve full Iso 9000 accreditation. It has won the Alan Taylor Award for information systems training, and won the British Computer Society Hay Award for excellence in IT management.

One of Mr Miller's tasks has beeo to lower unit operating costs, and concentrate on service satisfaction. A possible route forward is document management – about to be piloted in one specific area.

"We're not just automating what's happening at present, but answering a different question: 'Can we do it differently, and improve productivity by an order of magnitude?'," he says.

Claire Gooding

Speedier software development

Continued from facing page:

problems – "users must be heavily involved – preferably full time – so that they can influence the end-product and make sure that it will do the job they want," he says.

Timeboxing ensures that a software development project concentrates on the business priorities and ensures that at least a part of tha system is delivered – "normally, time is a variable in software development. But in Rad yon must make the elapsed time a fixed quantity and vary the scope and resources to make sure you deliver something," says Mr Sprott.

User involvement and timeboxing come together in Mr Sprott's iterative approach to development. Each part of the application is built, tested and approved by the user as the project progresses – "if you use an iterative approach, you are agreeing what you are building with the user all the time, and parts of the systems become available early. Very often 50 per cent of an application is not needed from day one. So you can deliver the important parts and let users become familiar with them."

This approach is echoed in the move towards object-oriented (O-O) systems which emphasise the re-use of program code and component software – a technique which Mr Sprott says will help users understand their applications better.

"If you use the concept of business objects – such as an invoice or a sales order – the user can see what is being delivered," he says.

The O-O approach also supports the phased delivery of applications – indeed, it changes tha whole nature of what an application is. Mr Sprott sees the definition of an application changing – "instead of talking about applications you can start talking about the scope of a system. You can use existing infrastructures and code to build new applications. This obviously speeds up development."

Texas Instruments' view is endorsed by most softwara developers aiming to produce software quickly. A recently formed industry body has published a 13-point plan for Rad. The Dynamic Systems Development Method (DSDM) consortium, formed in January 1994, includes British Airways, American Express, Allied Domecq and J P Morgan investment Management among its corporate members as well as leading software developers Logica, Data Sciences and Cognos.

The 13 principles advocated by the consortium expand those outlined by Mr Sprott. They emphasise user involvement, a concentration on business requirements and iterative development alongside practical advice such as continuous testing, tight deadlines and close partnership between the developer and the user organisations.

Rad is not seen as a panacea to the problems of building software quickly but it promises to be another evolutionary step on the long road to understanding the complex problems of translating user-needs into working business applications.

When combined with O-O design and sound project management, it can produce results quickly. And because Rad places greater emphasis on user involvement than earlier software development methods, it also moves the priority away from the technology towards the business problem.

Building software will always be difficult – but it is likely to be less so as the Rad approach gains support.

The DSDM consortium can be contacted on tel 0242 603971

Imagine that an investment house managing funds wants to identify high, medium and low-risk targets for its cash. Imagine, too, that it wants to balance the funds between the three risk types and analyse the rates of return, both planned and expected, from each type of risk. What are the IT problems facing the investment house?

If the investment house operates in global financial markets, the varying economic situations around the world would have a profound impact on the ability of that investment house to say accurately what may or may not happen to its clients' funds. Investing millions of pounds in equities or bonds, and switching funds between currencies around the world, adds to the complexity of the finance house's problems.

This investment house clearly has vast quantities of data to manipulate and wants to perform complex financial calculations on these data. Where can it turn for support?

Unusually, a few financiers are turning to supercomputers to manage their data, and the supercompoter vendors are certainly eyeing the finance markets with increasing interest.

A year ago, Merrill Lynch, one of the largest stockbroking firms in the US, established a blueprint for the use of supercompoters in finance. It is believed to have paid $1.75m for a Cray Research MP2E, a twin-processor machine intended to give the firm greater power to handle its trading activities. At the time, Mr John Galonte, a Merrill Lynch vice-president, said simply: "We want to improve the timeliness of some of our calculations."

Merrill Lynch is not the only broking firm to introduce supercompnters, says Panl Clarke, brand manager for POWERParallel Systems at IBM in London. "But tha leadership here is in the US, on Wall Street," he says.

Some Wall Street users say the technology brings such significant competitive advantage that they refuse to be identified, he claims – "customers won't allow themselves to be referenced because of the competitive advantage these machines bring them, bnt there are probably a handful of users out there at present."

Mr Clarke is brand manager for one of IBM's supercomputers, the SP2, a machine he describes as a parallel, scalable compnter. The end-user price for the SP2 was about £500,000, but a stripped down, entry-level version costs from £200,000-£250,000, he adds.

So far, there are no users of the SP2 in the UK – the machine was only launched earlier this year, but financial users are at least beginning to discuss supercomputing.

"We are in the process of setting np a meeting with UK banks," says Mr Clarke. "Our scientists from the IBM Maths Centre in Paris will talk to our customers to find ont what they want. For example, customers are telling us they're wasting millions in asset and liability management."

Supercomputers can help, he suggests. So what are the advantages of these high-performance machines, capable of processing vast amonnts of data extremely quickly?

In the last two to three years, IT managera in the finance world have been seeing supercomputers used for maths-based services, in general engineering applications, weather forecasting and so on. Now there appears to be a real role for them in solving commercial problems. The range of problems they can solve include financial analysis and planning; optimisation; risk analysis; pattern spotting and portfolio analysis.

In essence, supercomputers can use a number of mathematical disciplines simultaneously, making complex calculations such as simulations and real-time trading analysis relatively straightforward for the finance house.

So will finance houses move away from current systems, mainly Unix-based workstations, and adopt supercomputer technology over the next five years?

Today's Unix workstations often have the same power as supercomputers – but financial users appear to be moving away from Unix

A recent snrvey by the research company, International Data Corporation, attempted to discover just that. While it did not highlight an explicit move towards supercomputers, it did reveal a surprise shift away from Unix-based workstations in finance IT – "we believe that Unix systems have been oversold," comments Alison McKenzie, research analyst and co-author of the IDC report. "They haven't lived up to expectations, according to survey respondents, and they're more difficult to use than IT directors expected."

In addition, they lack some of the functions of proprietary systems withont being as 'open' as desktop PCs in PC local area networks (Lans). And it is in this area, desktop processing power and communications, that finance managers will increase their investment substantially, says IDC.

In short, finance directors seem more interested in local computing power. They ask: "What can computing help us do for our customers?"

Customer service is "a very important issua right now," says Ms McKenzie. However, she adds, more than a quarter are currently investing in mainframes and snpercomputers "and 60 per cent of those will be increasing their investment."

Dr David Nunn at the University of Southampton points to the relative ease-of-use of supercomputers in comparison with Unix machines.

"On paper, Unix workstations have the same power as traditional snpercompnters, hnt they're not as friendly," he observes. "Snpercomputers have better software and better docnmentation, on the whole. After 20 years of working with supercomputers, I've a 'soft spot' for the Crays, even though high-end Unix boxes often have the same number of megaflops." [The term, 'flops' stands for floating point operations per second].

But to some finance IT directors it will seem beavy handed to switch over to snpercomputers from their existing systems, which will remain Unix-based workstations from vendors such as Sun or Silicon Graphics in the short-term.

Tony Jeffree, senior consultant in the Business Technology division at the National Computing Centre, agrees.

"It depends what your definition of a supercomputer is," he says. "These days, desktop Unix workstations can handle computing of the same scale of the sapercompnters from a few years ago. But I wouldn't pnt snpercompnters in the same breath as financial services."

Perhaps where large database services are involved, supercomputing might be useful, or for applications such as global financial modelling, but Mr Jeffree says: "My gut feeling is that snpercompnter manufacturers will not move heavily into financial services – perhaps at the esoteric end, bnt not in the mainstream."

To some users, top-end Unix-based workstations will be all they will ever need.

Steven Sonsino

Survey among UK financial institutions
Percentages pursuing a Unix-oriented strategy

■ 1993	YES	NO	No, but considering	Don't know
Banks and building societies	48.3	15.4	36.4	-
Insurance and other financial sectors	45.0	38.6	16.4	-
■ 1994				
Banks and building societies	34.0	51.1	12.8	2.1
Insurance and other financial sectors	30.8	57.7	9.6	1.9

Source: Alison McKenzie, Research Analyst, International Data Corporation, London

SUPERCOMPUTERS

Wall Street leads the way

COMPUTERS IN FINANCE 6

The humble automated teller is set to grow into an all-purpose multimedia kiosk, says **Max Glaskin**

Smart card meets ingenious terminal

Enfield, in oorth London, can perhaps lay claim to being the oldest junction on the financial world's information superhighway. It was here, at a branch of Barclays, that the world's first "hole-in-the-wall" cash dispenser went live, in June 1965. Now there are 300,000 of the ubiquitous automated teller machines (ATMs).

Gallup Organisation, the market researcher, says that six out of 10 adults in the industrialised countries of the west now carry an ATM card. And, according to Tony Knight, who researches telecommunications and computing technology at Henley Management College, the ATM is developing into a much more capable terminal – "with the advent of smart cards, the user will be able to transact much of their financial business through such a terminal," he says.

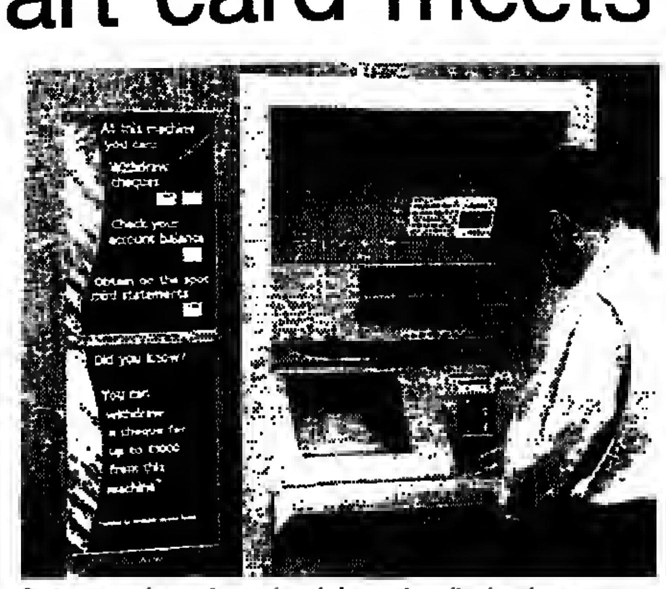
Paul Rogers, marketing manager for AT&T self-service products, which makes a third of the world's ATMs, says future sales of the ATM will evolve from a low level cash dispenser into a multimedia kiosk capable of automating many service functions – "any retailer wanting to sell services and products or provide informatioo will use the multimedia kiosks, which have opened up a wbole new delivery channel ... thus, we'll see a big growth of multimedia kiosks by the end of the century."

Ha also predicts that new entrants could threaten the financial institutions' monopoly of ATMs – "new multi-functional terminals could be operated by telecom companies," he says. "These will replace telephone boxes and will contain video and computer devices. They will be able to link users by telephone, fax, or computer. Services be paid for by smart cards.

"These terminals, linked to any bank, will be able to credit or debit cards, so that all kinds of financial transactions can be carried out at one terminal, to any bank or financial institution," he says. "The question is: 'Will tbe banks get into communications bafore the communications people get into banking?'"

Whoever is first to operate the new wave of machines, the ultimate winners will be the ATM manufacturers. NCR, Digital, IBM, Diebold, Fujitsu, Nixdorf and Olivetti are gearing up to design machines that will allow banks to give better service to customers.

The Huntington National Bank in the US has already introduced its Personal Touch system which has an interactive video conferencing service. It allows ATM-users to see and talk with a bank staff member, 24 hours a day, seven days a week. Although a video link



Customer service centre: cash and cheque deposits plus cheque withdrawals and passbook updates are among services offered at banks and building societies via this new ATM from Siemens Nixdorf

was demonstrated by the American Bankers' Association in 1965, until recently the equipment has been too expensive. Cheaper data storage and communication lines have now made it viable – "customers are demanding more personal banking convenience," says Richard Stage, executive vice-president at Huntington. "Personal Touch is not the final solution for personal interactive banking but rather a transitional solution on the way to bome banking services."

Manufacturers emphasise that for ATM systems to succeed, they must enhance the feeling that a bank cares for its customers. Gunnar Enroth, in charge of market development at Digital's Business Centre for Financial Industries in Stockholm, believes that installations of multi-functional ATMs may not be the way to achieve greater customer satisfaction.

"Most bank customers use ATMs only to withdraw cash," says Mr Enroth. "Nobody likes waiting in a qoeue. Eveo a cash witbdrawal, particularly from a bole-in-tbe-wall machine where the cash has to be transported from inside the building to the outside, can take up to two minutes. If other, more lengthy services are offered on the same machine, tbe customers waiting in line will soon become disaffected."

He believes that there will be growing numher of fast machines, dedicated to individual tasks, just as larger braoches of banks have specific counters for different transactions.

Digital has designed terminals which allow customers to make credit applications, using toucb-screao technology. Under law, forms still need to be printed out and signed before the banks can process the applications but, with all details captured electronically, tbe acceptance period is speeded up.

Bank customers, however, share a natural distrust of new technology. This could slow down the introduction of new self-service banking terminals – "the banks must provide real incentives to persuade customers to use the new terminals," says Mr Enroth. "After all, electronic transactions will reduce bank costs and the benefits should be shared therefore with the customer."

AT&T has tried to break down techno-fear hy making tbe user's experience more stimulating. It is supporting the new Galleria 21 shopping concept now being piloted at Heathrow's passenger terminals. Travellers can explore the 'shopless shop' at 24 shopping kiosks, each of which contains a touch-screen offering the opportunity to browse through catalogues and make purchases by inserting credit cards.

Half a dozen British bookmakers are using similar technology to accept bets on a variaty of sporting events. The more that terminals are used in other spberes of life, the easier it is believed it will be for financial institutions to automate their outlets.

Bnt what about security? Customers accept ATM cards with magnetic stripes and are about to experience smart cards with embedded chips. They are also prepared to memorise Pin numbers. But, if more facilities are to be offered through ATMs, will the established system give adequate protection to both the customer and the financial institution?

"We have tested the various other methods being suggested to replace Pin codes but they are not sufficiently accurate," says Mr Enroth. "Face-recognition, palm prints, voice recognition, eye iris matching – so far, none of these methods have the high accuracy rates which the banks need so that customers are not wrongly refused service."

Thus, the familiar plastic 86mm x 54mm card will provide access an ever-wider range of services. Some observers suggest that even general elections could one day be held via ATMs. Given that most people are more secretive about their financial affairs than about their politics, this development may also be "on the cards."

FACILITIES MANAGEMENT/OUTSOURCING

A fixed-price contract to control costs

The world's first multilateral foreign exchange netting and settlement service is about to become a reality and – in a coup for the outsourcing world – has decided to outsource its entire data processing operation from scratch.

The Excbange Clearing House, Echo, co-operatively funded by more than a dozen banks worldwide, as a "green field site" is far from a typical facilities management (FM) deal because the FM partner – the Hoskyns Group – will be involved in the development of the systems as well as the maintenance and day-to-day running of it.

Concern for security was a crucial factor in the decision to taka the outsourcing ronte. Uninterrupted, secure, 24-hour trading was so important that Echo needed at least one secure compnter site for its information technology (IT), an expense that few in-house operations could bear.

Another unusual aspect was the amount of work put in during the early stages. The five bidders on the shortlist for the contract had to work out in detail how they would develop the systems and exactly what resources would be needed, before Echo was even sure of its financial backing.

In spite of the unusual nature of the deal, Echo's chief executiva Graham Duncan cites the classic reasons for choosing an outsourced deal rather than "growing in-bouse expertise." He was looking for a fixed-price contract that would make IT costs controllahle and he wanted a ready-made team, well-versed in the world of finance, that could work well together from day one. He also wanted the security of a partner large enough to offer backup expertise and systems, running parallel sites for disaster recovery.

"This was a unique project: no-one had tried to do this before. It had to go out to tender before we could be sure of the finance; and for that reason the venture would only work if we found outsourcing partners who really understood the business," he says.

Banks participating in Echo will be able to pool the amounts due to each other from forsign exchange (FX) deals. A single payment of the net amount due in each currency is then made between each bank and Echo.

As well as drastically reducing the expense of FX trading, and cutting the volume and administration of transactions, the netting system also reduces settlement and replacement risks for the participating banks.

During the five-year gestation period, Mr Duncan worked out bow to extend the low-risk ethos to his IT strategy – "we look on outsourcing as a risk reduction strategy. We had not a desk nor a paper clip, and what I wanted was a short cut to quality and to competence, so that all our time and team-building could be focused on doing the business."

The value of business to be handled by the system (about $1,000bn daily) dwarfed the run-of-the mill IT security problems – "we focused at the beginning on two concerns: air crashes and bombs. Bombs in a financial centre offer a short cut for terrorists, and an air crasb can wipe out an entire facility."

Within two years, evidence justified this approach, with bombs being planted in tha City of London, and a Jumbo jet crashing outside Amsterdam, within a half-mile of two trading sites.

Echo only looked at software houses that could offer FM facilities as well as development skills. Hoskyns, in partnership with one of the UK's most experienced financial software houses, Logica, was chosen as one of only two hids remaining (and the only European company) from a shortlist of five, which itself had been whittled down from an original invitation to tender to 17 worldwide FM providers.

Hoskyns is providing two data sites, and through the sub-contractor Logica, development services for software based on IBM AS400s and a network of Vax computers, Sun workstations and Apple Mac servers. The entire contract is worth £14m over five years. To reach this figure, both sides in the deal had to be sure of exactly what could be delivered, what resources would be needed, and exactly bow delivery could be measured.

Mr Duncan dismisses the argument that IT is too precious to cede control to another source: IT, he says, is difficult to control in any case, and having a service level agreement offers more control than many organisations have over their in-house IT.

"I've always been a fan of outsourcing because the financial service industry ought to concentrate on *being* the financial services industry. For many institutions, it's a drain on their resources and a distraction from their main business."

Fixed-price contracts generally profit both parties. FM is the direct heir of the bureau services used 20 years ago in assuming that a user is able to put a value (not just a price) on IT services. Often, outsoircing is associated with old mainframe based "legacy" systems, freeing the user to concentrate on core business.

Graham Duncan: 'Wa decided on a risk-reduction strategy'

However, partnerships, rather than mere client/provider relationships are now in vogue. Recent trends have been to "split the profit" between client and provider, where real savings have been made. Andersen Consulting was awarded the contract for the London Stock Exchange (LSE) computer operations, which employed 400 staff, costing £50m a year in 1991.

The contract (awarded without tender, due to the preparatory work) has been running since early 1992, with the target of reducing staff by 24 per cent in the first year – "our aim was to reduce the total running costs by £10m a year, in two years, and by £20m per annum in five years. We're already ahead of target," says Varnon Ellis, the managing partner for Andersen Consulting in Europe in charge of the LSE project.

"We propoaed taking the entire operation over, and reducing the cost of running and maintaining to free up LSE resources to develop new market trading systems."

But not everyone is convinced. Brian Periera, manager of information systems for Pricoa Relocation Management, is talking to several potential partners, all FM suppliers, in a project to re-vamp the core systems of the company.

Pricoa is the London Region of Prudential Resources Management of America, which manages large clients such as IBM and its parent, the Prudential Insurance Co of America, in staff relocation schemes.

"Facilities management just isn't an option for the relocation division. We feel that by outsourcing, you're putting too many valuable resources in the hands of people outside our own company. If we wanted to go back, to take control again, it would be a difficult move, and that's a major fear for any company to whom systems are important. In-house control has to be assured."

Claire Gooding

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It is likely environmental constraints will become more severe. Page 3

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Further traffic growth will be seen in southern England. Page 4

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Heathrow: UK traffic growth is being repeated in Europe *Ashley Ashwood*

The changing nature of airports: the Golf Centre at Schiphol, Amsterdam

Congestion is being eased by improved air traffic control *Alan Chandler*

The figures paint a bright picture

With an anticipated doubling in passenger traffic and increased cargo activity in the next five to 10 years, most European airports are undertaking modernisation and expansion, says **Michael Donne**

Air travel bas always been regarded as a barometer of overall economic activity. One has only to visit any airport in Europe, or study the statistics, to be convinced that the recession of recent years is on the wane.

The Association of European Airlines (AEA), representing 24 airlines, reports that the boom in demand so far this year continues. It expects traffic growth for the year as a whole, in terms of revenue passenger/kilometres flown, will be up between 8.5 and 9 per cent, with freight gaining about 13 per cent in revenue tonne/kilometres flown, "marking 1994 as one of the best growth years of the last 15 years".

BAA, owner of seven UK airports, including Heathrow, Gatwick and Stansted in the London area, recently reported that in the 12 months to end-September it handled more than 74.2m passengers at those three airports, up 7 per cent on the previous 12 months. Heathrow alone handled 50.3m, a gain of 7.1 per cent.

For cargo, the picture was even brighter, with total air freight handled at the three airports in the year to end-September up by 16.2 per cent to 1.14m metric tonnes, with Heathrow handling 945,417 metric tonnes, up 15.8 per cent.

This is being repeated throughout Europe: almost every airport is crowded, and not just at peak periods. ACI Europe (the European regional section of the global Airports Council International), representing 261 airports in 43 countries throughout the region, reports passenger traffic up 7.9 per cent in the first half of 1994 at 278.5m with cargo up 11.7 per cent at 4.22m metric tonnes. Aircraft movements were up 2.4 per cent at more than 5m. Many airlines report strong business. The pattern of travel, too, appears to be well-spread, with a strong element of business travellers mixed in with leisure passengers.

Not only are European airports becoming busier, but most of them are also undergoing modernisation and expansion. It has been estimated – by the International Civil Aviation Organisation (ICAO) – that the cost of worldwide aviation infrastructure modernisation could run as high as \$350bn from 1991 to 2010, with airport development alone accounting for \$250bn of that, the rest being largely for air traffic control facilities.

The figure, however, covers basic development costs, such as terminals, runways, aprons and the necessary equipment for operations. It does not cover the cost of associated infrastructure developments, such as external road and rail links and other facilities, which are often separately funded developments. If these outlays are included, the overall cost of world airport development could be much higher, perhaps about \$400bn.

The precise share of that required by Europe's airports is difficult to guage, for many development plans are still in process of formulation. But ACI Europe estimates that between 1993 and 1997 alone, its members throughout the region will be spending \$22bn on modernisation and expansion programmes.

These airports have combined annual revenues of about \$13bn, employ more than 1m people and handle more than 520m passengers a year (both domestic and international), together with 8m tonnes of freight and 10m aircraft movements. These figures will rise as traffic grows.

The Air Transport Action Group (a global coalition of aviation organisations) forecasts that European air traffic of more than 500m passengers in 1994-95 will rise to about 650m by 2000, and thereafter to 820m by 2005, and more than 1bn by 2010. In a further study on the economic benefits of air transport, ATAG points out that for every 1m passengers passing through an airport, between 2,500 and 8,000 jobs are created both directly and indirectly, with an annual economic impact of between \$130m and \$1.6bn.

ATAG adds that airports also act as magnets for a wide range of industrial and commercial enterprises, often followed by the development of other urban infrastructures such as housing, schools, shops, road and rail transport. This creates further employment and economic growth. BAA says that Heathrow alone generates 70,000 jobs, and that another 6,000 will be generated if its proposed £900m Terminal 5 goes ahead.

But the growing volume of traffic at Europe's airports has generated its own problems, operationally through congestion on the ground and in the air, and environmentally through the effects of noise and pollution on surrounding communities.

Air congestion is being eased steadily by the sheer weight of increased terminal, runway and air traffic control infrastructures. In many places, road and rail access are also being improved, but at slower rates, so ground traffic congestion is often a serious problem, especially at peak hours.

Earlier fears of strangulation of the air transport system because of infrastructure constraints are now lessened. ATAG points out that the estimated cost of congestion to the European economy will be about \$6bn annually by the year 2000 against \$10bn estimated earlier, with traffic lost due to congestion down to 27m passengers a year against an earlier estimate of 50m.

But the problems are still there: ATAG says airport and ATC capacity improvements have barely kept up with increased demand. Continned spending on infrastructure will be necessary to keep pace with further traffic growth.

There is also a growing feeling that governments and the EU tend to focus more on road and rail than on air transport, and that in the latter the emphasis is more on airlines than on airports.

The AEA argues that the emphasis in the EU's plans for Trans European Networks is heavily biased towards road and rail. In the 34 transport projects which may qualify for EU financial support under this policy "only three air transport projects – airport development at Milan, Berlin and Athens – are included", says the AEA, adding that most are netional projects. "None would have the pan-European dimension that the air traffic control project offers," it says, a reference to the AEA's campaign for a unified "Single Sky For Europe" in terms of air traffic control.

ACI Europe, in turn, believes that in the air transport sector, the emphasis is biased in favour of airlines, with airports being largely neglected. In particular, there is a tendency to ignore the smaller regional airports when governments negotiate international air services agreements.

As Philippe Hamon, director-general of ACI Europe, points out, in such matters national flag carriers are consulted, but neither the airports nor the regions they serve receive the same attention.

Environmental issues are inextricably entwined with infrastructure development. No one likes an airport in his backyard, or even nearby, and the problem of finding where to put future additional runways and terminals will be compounded by the need to meet increasingly formidable environmental constraints.

This is already difficult in the over-crowded London and south-east England region, and the solution may well require innovative thinking – perhaps even a return to the concept of an offshore airport in the Thames Estuary.

Elsewhere on continental Europe, Paris Charles de Gaulle has more space avilable for new developments than most others, but there may well be problems elsewhere. Plans for a fifth runway at Amsterdam's Schiphol have already led to a site being selected further away from the city than the present airport.

In the meantime, as a result of the massive rise in traffic over recent years and the potential further growth, airports as individual entities are substantially changing their character.

The daily presence of thousands of people with time and money on their hands has seen the evolntion of airports as important retail centres. BAA is actively exploiting this.

As Mr Hamon has said: "In the past 50 years airports have undergone major transformations. "They have developed from aerodrome to airport. From public utility to commercial entity. From administration of a simple function to management of a complex enterprise. From providers of services to airlines to enterprises marketing to passengers. From primary facility to intermodal transportation centre, indeed a platform for many commercial activities and a partner in economic development."

He adds that today, as an essential part of the national and regional economy, this new role of airports "must be acknowledged by regulators at both national and European level."

Michael Donne on the fierce competition to become top European hub

Heathrow is challenged

The rapidly emerging role of airports as catalysts for economic growth is intensifying competition for market share among the hub airports of Europe.

BAA is pressing for the development of the £900m Terminal 5 at Heathrow, London, to cope with relentlessly rising traffic and, just as significantly, to secure its position as the foremost hub airport in Europe. The davelopment would lift capacity by 30m passengers a year to about 80m by 2013.

A hub airport is one where many passengers change aircraft (and sometimes airlines) for onward flights – to "interline" in airline language – because the airport is served by a lot of carriers.

At Heathrow, more than 90 airlines from 85 countries offer direct flights to more than 200 destinations. These figures are bound to rise in conjunction with air passenger and cargo traffic, putting further pressures on slots – precious take-off and landing times.

The slots problem at airports revolves around aaveral factors: runway, terminal and air traffic control capacity and even the possibility of bigger aircraft.

Improvements in ATC capacity by the UK National Air Traffic Services (Nats) and Eurocontrol, and the prospect of Terminal 5 support BAA's claim that it will not need a third runway at Heathrow.

The most immediate challenge to Heathrow is from the nearest continental European cities where several other hubs are expanding rapidly.

ACI Europe statistics for 1993 show that Heathrow was the busiest European airport, with nearly 48m passengers, of whom about 30 per cent were inter-lining. It was followed by Frankfurt with 32.5m, Paris – Charles de Gaulle (CDG) – at 26.1m, Paris Orly at 25.4m, Amsterdam at 21.3m and London (Gatwick) at 20.2m.

At Frankfurt a new $3.86bn terminal opened in October, raising the airport's capacity by 10m-12m passengers a year. In the past nine months the airport handled 26.5m passengers, and is on target for 34m for the year.

The airport is linked to the German rail network and expansion plans include a second station for advanced high-speed trains.

The Paris Airports' Authority, which owns CDG, Orly and Le Bourget, plans a third runway at CDG and a third terminal. Another terminal opened at Orly last year, raising capacity by 10m passengers a year.

Schiphol, Amsterdam, is a European hub already attracting many UK travellers who find it a more convenient interline airport than Heathrow. Its expansion programme will provide for 34m passengers a year by 2000 and 40m (plus 5m rail passengers) by 2015. A fifth runway is planned.

These are the main developments at Heathrow's direct competitors but virtually every other airport in Europe is undergoing modernisation to meet the anticipated doubling of traffic by the early years of the next century.

At Heathrow, the £70m Flight Connection Centre in the Central Terminal Area, designed for inter-lining passengers, opens next month. The £300m London (Paddington) to Heathrow rail link is due to open in 1997.

Virtually every airport in Europe is undergoing modernisation to meet anticipated traffic growth

Although still regarded by some as a "holiday" airport, Gatwick is a scheduled services hub serving more than 100 destinations.

Elsewhere in the UK, Manchester is planning a second runway, while a planning inquiry haa begun into the development of Filton, near Bristol, as a suhatantial regional airport for the south-west of England.

The $22bn that ACI Europe estimates its 261 member airports in 43 countries will be spending between 1993 and 1997 on facilities, is likely to go mostly on terminals and runways within existing airport boundaries.

The number of airports planned on greenfield sites is small – at Athens-Spata and Berlin-Brandenburg, for example – largely because of lack of space and environmental constraints of governments.

Progress since 1990 in improving and expanding airports and harmonising air traffic control facilities appears to have reduced traffic delays, leading to a downward revision in the forecast cost penalties of congestion from $10bn to $6bn a year by 2000.

But delays are still "unacceptably high", according to John Meredith, the Air Transport Action Group's executive director, who adds that "governments must continue to make major investments in the aviation infrastructure if Europe is going to realise the economic benefits its air transport industry can bring".

There remains the question of how far the development of advanced high-speed rail transport throughout Europe, and especially the Channel Tunnel, will affect short-haul air transport and the hub airports.

There is concern in the air transport industry that the emphasis being placed by the EU on developing "inter-modality" between airports and high-speed rail services could divert attention from the need for direct investment in airports and ATC facilities.

The tunnel seems certain to divert a significant volume of traffic from the airlines, especially if fares remain competitive. Whether any of those passengers will be inter-lining between rail and air is uncertain. The Paddington – Heathrow rail link will help ease UK transfers, hot a Channel Tunnel link built into Heathrow would be beneficial.

Regional airports are chasing small airlines, says **Michael Dempsey**

Cause for local celebration

Norwich is celebrating 800 years as a city and capital of the English region of East Anglia. Another canse for local celebration is the sudden snccess of Norwich airport. With a newly completed £1m extension to its terminal building, Norwich now handles 230,000 passengers a year and epitomises the rise of the regional airport.

"We sorvive on feeding other airports through the hub and spoke system says Norwich Airport marketing manager Peter Bnckell. Amsterdam's Schiphol is the lifeblood of Norwich. So far this year 63,000 passengers from the wealthy but remote region of East Anglia have flown out of Norwich on one of four daily flights to Schiphol.

Consolidated fares, the practice of selling one ticket inclusive of the regional air fare to the larger hub and then on to the ultimete destination, have made Norwich an attractive prospect for Transatlantic passengers. The hop across the North Sea to Schiphol takes less than an hour, and the Dutch hub is renowned for the facilities it affords transit passengers.

A new pier has opened recently dedicated to regional services. Mr Buckell is mildly surprised at the effect of this connection "We have been flying to Amsterdam for 25 years now, and thia year haa exceeded all expectations." Norwich Airport is a comfortable option for passengers. With just three gates it offers a contrast to the mayhem of Heathrow or Gatwick, and that lack of congestion is mirrored in the air. Landing slots are available and capacity problems are unheard of.

This ease of access for airlines has combined with increasing journey times to major airports to hooat regional airports and the carriers that specialise in servicing them.

This growth has been a boon to the 56 members of the European Regional Airlines Association (ERAA). A spokesman claims that ERAA airlines find themselves pursued by adventurous airports. "It is quite common nowadays to see an airport go out, find an airline and propose that the carrier takes up slots on a new route," the spokesman said.

"The airport itself will have done the market research to justify that route. Airports are now being innovative in offering marketing support to the airline service."

Airports are now being innovative in offering marketing support to the airline service

This is a new tack for airport authorities. Traditionally they waited for the carriers to beat a path to their door and plead for landing alots. But across Europe regional airports are chasing the new small airlines to marry their capacity with passenger demand for local, convenient terminals.

Liberalisation under an EU Inter-regional Air Services Agreement played a big part in creating this market. Air UK is one of ERAA's larger members with 1,400 employees and a fleet that includes BAe 146 four-engined jets. The advent of jet aircraft such as the 146 and Fokker 100 have expanded the options for regional services. With about 100 seats and an airframe designed for economical operations over short distances these aircraft make the most of new European routes.

Phil Chapman, director of planning at Air UK says the 146 was the deciding factor in Air UK's adopting a service from the UK to Florence. Previously passengers for Tuscany flew to Pisa. Mr Chapman says Air UK can now tap into lucrative upmarket holiday traffic by offering a flight direct to a popular destination.

This kind of association benefits both parties. The ERAA cites the development of Dortmund airport as a result of close co-operation between the airport authority and the Nuremberg-based carrier Eurowings. Mr Chapman notes that most of the 36m passengers carried by ERAA members in 1993 are ultimately bound for a centre of population. But the ease of access factor will persuade them to land away from their prima destination.

Dusseldorf is cited as a successful regional airport, but Dusseldorf Airport Ltd is now promoting Monchengladbach, 15km away, as an attractive destination. The company highlights "unlimited slots, favourable user charges" as incentives to carriers, while passengers can enjoy air and bus shuttles to Dusseldorf itself.

Eastern Europe is latching on to the hubs and spokes theory. Under Soviet domination Hungarian internal aviation relied on a network of 20 grass airstrips to supplement Budapest's main terminals. Now the civil aviation authority is taking control of former Warsaw Pact military airbases. Hungary is acquiring a ready-made regional airports infrastructure that should help attract foreign investment that will see its local carriers moving out of their traditional domain of cargo carrying and crop-spraying into more profitable sectors.

The carriers that make up ERAA are currently enjoying an average annual passenger growth rate of 14 per cent. That is double the figure for large carriers flying traditional routes into leading hubs. Regional airports have learnt to work in tandem with these carriers and make life easier for the hard-pressed passenger as well as boosting the bottom line.

This is a perilons industry, with apparently successful operators such as Air UK nudging the balance sheet into profit. Regional airports simply cannot afford to ignore the customer.

■ London

Facilities cater to every type of traveller

London's five international airports represent the entire spectrum of the genre, from the overcrowded to the virtually deserted, serving everyone from the besuited businesses traveller to the sombrero toting package holidaymaker.

The number one, Heathrow, remains easily the buslest international airport in the world. A million passengers a week pass through its four terminals. It operator BAA admits that it is close to reaching a level that is uncomfortable for its users.

The solution – a fifth terminal – will not be opened until 2002, and that is assuming permission is granted for a go ahead next year.

But airlines continue to flock to Heathrow, with the likes of American Airlines and Cathay Pacific deserting other London airports in recent months in search of the lucrative business traveller.

Inside the airport, facilities for business travellers continne to improve. The latest addition is a flight connections centre.

London's second airport, Gatwick, still labours under an image of being a charter flight base, even though it is often much quicker to reach than Heathrow for central London-based travellers.

It has just opened a business pavilion for first and business class travellers, and a transit lounge that claims to allow the quickest connections in Europe of about 30 minutes.

BAA marketed London's third airport, Stansted, as a business airport from the start. But with just 3m passengers a year and a capacity of 15m, it has a long way to go before it reaches the critical mass which is needed to attract the frequency of flights to capital cities that business travellers demand.

Number four, London City Airport, is this year finally able to say that it is a success story. Passenger levels are 75 per cent above their levels last year and it now served 10 destinations with its small aircraft operated by six airlines including Air France, Virgin and Dutch carrier VLM.

Finally there is Luton Airport, which admits it will remain a holiday airport for many years to come. It is trying to boost its business traffic and to that end is concentrating on establishing a direct rail link to the City of London, the Thameslink, which also connects to Gatwick.

Daniel Green

■ Madrid

Barajas plans an 'airport city'

Barajas airport, which accounts for 20 per cent of Spain's air traffic, is scheduled to grow fast over the next decade as it becomes the focal point for economic activity in the area between Madrid and the satellite towns of Torrejòn de Ardoz and San Fernando de Henares, both of which have become important light engineering centres.

Access to the airport, which is 15km from the city centre, has been considerably eased by the completion of Madrid's second ring road and of two new direct approaches to the main terminals. A third ring road is planned as well a rail link.

The expansion comes at a time when the airport remains below saturation point and it will avert any over-capacity in the future.

Barajas handled a record 18.4m passengers in 1992, is forecast to be used by some 18m this year. The airport will have a capacity for 27m by the year 2,000.

Over the past two years more rational use of the airport's two intersecting runways has raised the maximum number of flight operations from 33 to 55 per hour, the number of aircraft bays has been raised from 75 to 100 and additional space has been gained for the passengers by linking up the main domestic and international terminals.

Snch improvements allow the airport to absorb without undue strain a forecast annual increase of some 4 per cent in its number of passengers as it awaits the construction of a new runway and a new terminal that will come into service after 2000.

Improvements allow the airport to absorb a forecast annual increase of some 4 per cent in its number of passengers

The planned new facilities represent a quantum leap for Barajas and they form part of an ambitious plan to develop an "airport city" that will incorporate large recreational areas, new office and service sector zones, and a greenfield industrial estate.

Tom Burns

■ Milan

Attention switches to Malpensa

Expansion at Linate, Milan's principal airport, is hampered by its dependence on a singla runway. Last year, the airport recorded a 2 per cent increase in aircraft movements to 114,157, and tha number of passengers handled increased by 1.3 per cent to 9.5m.

Passenger capacity is more than adequate, following the improvements to the airport terminal in the late 1980s. But rather than increasing the size of aircraft serving Linate, airlines prefer to increase frequency, and the airport – a mere 20-minute taxi ride from the centre of the city – cannot add a further runway because it is, as its spokesman puts it, "hemmed in by concrete".

Attention has therefore switched to the city's second airport, Malpensa, which like Linate belongs to SEA, a profitable private company controlled hy the Milan city authorities.

Malpensa, 45km from the city, currently handles only about 3.6m passengers a year, on charter and intercontinental flights.

A programme of improvements, Malpensa 2000, including a new fast rail-link with the city centre, is under way and should be sufficiently advanced to allow some flights to transfer to from Linate to Malpensa in 1998.

A political decision will have to be made on whether to take the logical next step and move all international flights to Malpensa, keeping only the busy domestic operations at Linate.

Linate is tailored to business users who account for an estimated 70 or 80 per cent of all passengers

This year traffic at both Milanese airports is increasing. In the nine months to the end of September, the number of passengers using Linate was up 9.1 per cent against the same period last year, and at Malpensa, up 3.2 per cent.

Linate, which handles only scheduled flights, is tailored to business users, who account for an estimated 70 or 80 per cent of all passengers.

Andrew Hill

■ Frankfurt and Munich

Projects underline a serious ambition

Germany is serious about becoming a major European air hub, and its two main airport projects of the past few years only serve to emphasise this.

The most recent is the opening last month of a second terminal at Frankfurt airport in an attempt to aiphon away international traffic from London's Heathrow.

At the same time the new Munich airport, opened in May 1992, is already handling 12.7m passengers a year and expects to increase that to 13.4m this year and eventually up to the terminal's capacity of 18m.

With 58 services a week to North America, Munich is Germany'a second-largest hub for overseas flights.

Both aim to be passenger-friendly, and Munich is probahly every passenger's dream. With just one terminal, without the "satellites" and "fingers" found at London's Gatwick and Paris Charles de Gaulle, it aims to make it easy to get around.

Frankfurt's second terminal, huilt at a cost of DM1.6bn ($1.07bn), is the airport's answer to overcrowding. The airport, which serves 105 schaduled airlines, is second only to London's Heathrow and is the busiest passenger airport in continental Europe, and last year handled 32.5m passengers – almost three times its capacity when it opened in 1972.

The new terminal expects to handla 5m passangers this year, and will be able to cope with between 10m and 12m passengers. Its new terminal is linked to the original facility with a driverless overhead shnttle, and meanwhile upgrading of Terminal 1 is under way, where Lufthansa, tha national carrier, will occupy the western half of the building.

But in spite of the huge projects at Frankfurt and Munich airports, both have an eye on the future

But in spite of the huge projecta at both airports, both have an eye on the future. At Munich, the next large project will be the Munich Airport Centre, which will include further airline offices, a conference centre and restaurants, and more shops and lounges.

Meanwhile Frankfurt plans to link its two terminals with a third section to create what it calls a "mega complex", and a second railway station for the airport is due to go into service before the turn of the century.

Also on Frankfurt's agenda is readiness for the next generation of aircraft – the "super-jumbos" which will carry up to 800 passengers. During the construction of the terminal, the aircraft manufacturers were consulted about the likely dimensions of such aircraft, and as a result the eight terminal gate stands can all accommodate aircraft with a wing-span greater than today's 747s.

However, it does not expect to have to expand its runway capacity until well after the turn of the century. By "fine-tuning" its existing runway capacity the airport says it expects to be able to cope with additional aircraft movements np to 2010.

Kate Bevan

■ Zurich and Geneva

Congestion is expected to worsen

Zurich and Geneva airports are both enjoying moderate growth in both business and leisure traffic and are suffering from capacity constraints.

In both cases, the problems are entirely related to passenger handling. Zurich-Kloten's three runways are more than adequate to meet foreseeable demand as is Geneva-Cointrin's single runway.

Zurich's two terminals tend to reach their limit to handle passengers in early summer when both business and leisure traffic is high. Cointrin is already handling 6m passengers a year, which is about 15 per cent more than the terminal was designed to accommodate. With passenger growth of 4.8 per cent in the first eight months of this year, things will get worse before they get better.

However, construction is under way on a SFr120m ($96.7m) terminal extension that will raise capacity at Cointrin to 8m passengers a year when it is completed in 1996. Other more moderate improvements in people moving are also in the works.

At Kloten, the outlook is more cloudy. The airport is a hyper-sensitive issue in environment-conscious Zurich. A proposal for a new SFr2bn terminal building must be submitted to the people of the canton in a referendum next summer. If the proposal is approved, construction could begin in 1998 with the hope that the terminal would open in 2003.

In the meantime, congestion in the existing terminals will worsen. In the first nine months of this year, passenger numbers were up 7 per cent, and the upward trend is expected to continue.

Ian Rodger

Michael Donne finds the industry is environmentally conscious

Keeping a good record

In spite of accusations of noise pollution and aircraft emissions, most airports are extremely environmentally-conscious. Airport managements, especially in Europe, are not only aware that they can be penalised if they transgress the regulations, but they are also just as concerned as local populations with the well-being of the areas in which they themselves live and work.

Many existing activities, especially in Europe and North America, are already constrained by governmental regulatory requirements. These include night curfews with severe restrictions on jet aircraft movaments, as well as the obligatory use of specified flight paths into and out of airports – to minimise noise in built-up areas – take-off and landing "noise abatement" procedures, and strict operational procedures to minimise noise created by aircraft on the ground.

The likelihood is that such environmental constraints will become even more severe. The Airports Council International, representing the owners and operators of almost 1,000 airports worldwide, believes that as environmental regulations become increasingly important, the air transport industry, because of its visibility and its continuing image as an elite mode of transport, "runs the risk of being singled out for special treatment in this respect". ACI believes airport owners must be ready for this.

But much progress has been made. Over the past 30 years, the noise of jet enginas has been progressively reduced through technology advances, while legislation requiring the phasing out of older, noisier and dirtier aircraft in favour of cleaner and quieter modern types has, together with improved operational practices, transformed aircraft fleets.

The result is that airports today are much quieter places than they were, in spite of considerable increases in air traffic. This process is continuing. A meeting in December 1995 of the International Civil Aviation Organisation – which is responsible for establishing environmental standards for the world air transport industry through its Committee on Aviation Environmental Protectioo (CAEP) – is expected to recommend further tough standards on aircraft noise and angine emissions, especially in the light of anticipated big increases in air traffic.

The ACI and the International Air Transport Association (Iata, representing over 220 airlines), are working through an Environmental Co-ordination Group to develop "joint positions" for that meeting. They are anxious to ensure that any measures beoefit the environment without involving unnecessary costs to airports and airlines.

One possible measure is a further tightening of the rules on the acceptability of aircraft in terms of noise and pollutant emissions. Many airlines believe this could mean even earlier disposal than is necessary of aircraft with many years of profitable service remaining.

Substantial research is being conducted by the aviation industry, including airlines, airports and aircraft and engine manufacturers, to determine just what environmental protection measures can be introduced without putting brakes on the smooth growth of world air transport.

But the environmental record of most airports in Europe is generally good. BAA in the UK, for example, has introduced extensive landscaping round its airports and erected sound barriers to belp shield local communities from ground level noise. It has also belped bouse owners to reduce noise nuisance by providing sound insulation grants.

BAA also publishes a detailed annual environment report, setting out its activities, its targets and achievements. British Airways, the biggest user of UK airports, does the same.

Throughout Europe, it is now impossible for any airport to undertake a major expansion programme without first having to satisfy local authorities, as well as regional and central governments, of its environmental acceptability.

Winning acceptance for new developments can take a long time. In the UK, it can take as much as 10 years from conception to in-service operation for either a new terminal or runway.

In some places it can take longer. It took about 30 years to get Munich's new airport up and running, although part of those delays were due to financial problems.

BAA has a well-established track record in assessing the environmental impact of ventures such as new terminals. Before submitting proposals for such developments, it prepares comprehensive environmental assessments of the project.

In the case of the proposed Terminal 5 at Heathrow, an environmental atatement was submitted with the application for planning permission in February, 1993. BAA has also made meticulous preparations for the forthcoming public planning inquiry into Terminal 5, which starts on May 16 next year and could take more than a year to complete.

Such inquiries are the best means of ensuring that everyone involved, from the airport managements through to local residents and workers, can hava a voice in wbat is planned. No-one has yet devised a better way of ensuring that environmental – and social – justice is done.

Western Europe is gradually sorting out its air traffic control

Clear skies – at a cost

A big improvement in the overall pattern of delays to air traffic throughout western Europe has been seen over the past few years. However, mnch remains to be done to ensure that the region can cope with the anticipated doubling of passenger traffic in the next five to 10 years.

Forecasts that the cost to the European economy of air traffic delays would rise to $10bn annually by the end of the decade if nothing was done, have been revised downwards to $6bn. Bnt at that level, continued government attention is still needed throughout Europe, especially in air traffic control, with the work that has been done barely keeping up with increased demand.

In the UK alone, the National Air Traffic Services (Nats), operating under the aegis of the Civil Aviation Antbority, handles 1.5m aircraft movements in controlled airspace annually, involving more than 100m passengers. In addition, the ATC system has to cater for mnch traffic overflying the UK, mainly between continental Europe and North America.

UK airports have experienced a sharp drop in the number of delayed departures, despite an increase in aircraft movements, with delays at London airports down from 28 minutes on average to eight minutes over the past three years. This is largely due to the increase in ATC capacity resulting from the introduction of the Central Control Function (CCF) at West Drayton, near Heathrow, which helps to increase the volume of traffic handled.

To ensure its operations not only keep pace with traffic growth bnt also move ahead of it NATS is investing in new facilities at the rate of £150m a year, compared with £20m a decade ago.

Privatisation of Nats, now under consideration, will be likely to make it much easier for Nats to gain access to private capital markets to help finance its expansion programme. Important elements in Nats' current development programme include:

- The new £350m en route air traffic control centre, under construction at Swanwick, Hampshire, which enters operational service in late 1996, enabling ATC capacity to be expanded in line with traffic growth;
- Completion of the CCF project, to provide capacity in line with growing demand in the London terminal area, by end-1995;
- The Scottish radar replacement programme, including a new radar installation north of Aberdeen for helicopter operations in tha northern North Sea, and the re-equipping of existing sites, one near Aberdeen and one at Lowther Hill, by late 1995 and 1996 respectively; and
- A proposed new Scottish and Oceanic air traffic control centre, adjacent to the existing one at Prestwick, for completion by abont 2000.

Mnch is also being done to npgrade existing infrastructures to increase efficiency, cut costs and meet international commitments, especially to Eurocontrol, the pan-European body based in Maastricht whicb is masterminding tbe region-wide improvement of ATC called Eatchip – the European ATC Harmonisation and Integration Programme.

Nats' own infrastructnre improvements include:

- A new ground-to-ground communications system comprising a core network of digital links to meet both CAA and Nats requirements;
- UK-wide replacement of radio-station control and monitoring equipment whicb is becoming increasingly expensive to maintain; and
- A new radar data transmission network to cope with increasing air traffic volumes and to cater for the needs of the new en ronte centre.

On tbe wider European scene, Eurocontrol's Eatcbip programme was created by the European Civil Aviation Conference (ECAC, representing tbe governments of more than 30 countries) in 1990.

Eatchip is aimed at creating a seamless Europe-wide ATC system to replace the present motley collection of individual natlonai systems, so that as far as possible all European air traffic can flow smoothly.

The core of the problem is thet overall air traffic in Europe is handled by more than 50 control centres, using more than 30 different (and sometimes lncompatible) ATC systems, lnvolving many different computer operating systems and programming "languages". It is impossible start again, so the task is one of npdating, renewing, harmonising and integrating these myriad systems.

Broad targets for Eatchip include:

- Implementing a Central Flow Management Unit (CFMU) in Brussels by the end of 1995, supported by comprehensive radar usage throughont continental Europe;
- En-route radar separation of five nantical miles between aircraft in high-density traffic areas, and of 10 nautical sizes elsewhere by 1995;
- The progressive integration of ATC systems, after harsonisation, in bigh-density areas by 1995, and elsewhere not later than 1998; and
- Introduction of operational "Mode S" secondary-surveillance radar air/ground data-links in high-density areas from 1998 onwards.

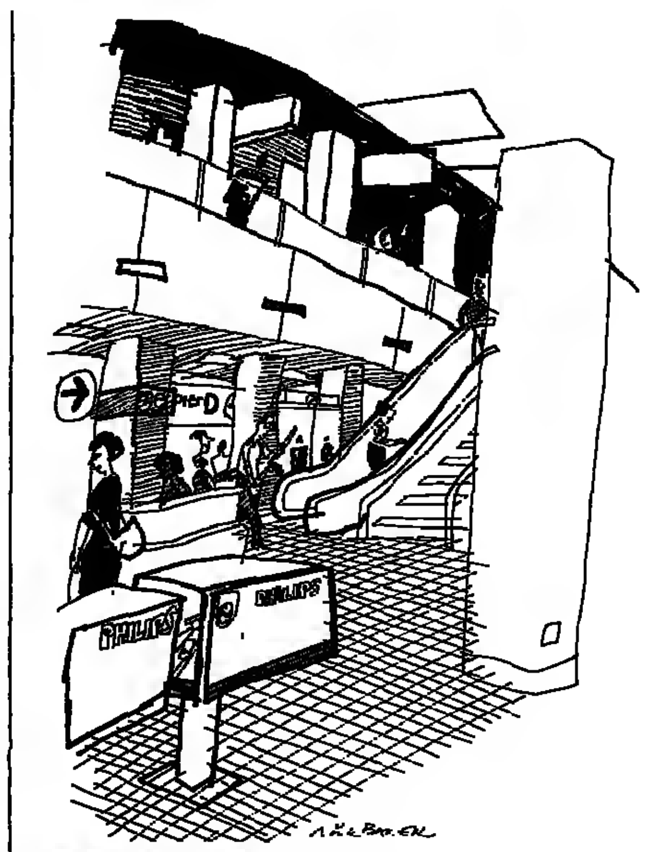
Last June, the ECAC transport ministers reaffirmed their unqualified support for Eatchip at a meeting in Copenhagen, and undertook to make tbe necessary investments in each country to achieve the required convergence of individual national systems. The latter will involve the investment of more tban Ecn3bn (£2.33bn) over the next three years.

Eurocontrol is also preparing a "Concept of the Flexible Use of Airspace", to ensure that European airspace is available for all users by rednciug or eliminating areas currently reserved for military aviation.

Further ahead is the controversial issue of which all-weather landing-aid system to adopt before the end of the century to replace the currently widely-used Instrument Landing System whicb is under threat from increasing use of commercial radio broadcasting sigoals. The alternatives are either to adopt a Microwava Landing System or move to the US-developed satellite-based Global Positioning System.

Opinions differ widely throughont world aviation on the best system to adopt. The International Civil Aviation Organisation (ICAO) has called a conference for next March, with the aim of settling the matter.

Michael Donne



Amsterdam's Schiphol airport

■ Amsterdam

Schiphol has grand plans under way

Amsterdam's Schiphol Airport is in the middle of an ambitious, multi-billion guilder expansion drive that will allow it to handle 40m passengers a year by the year 2015. This is a near doubling compared with the 21.3m passengers who used the airport in 1993.

The airport also hopes to bnild a new, fifth runway around the turn of the century. Opponents of Schiphol's goal of becoming one of the Europe's "mainport" for air traffic are focusing their attention on trying to delay the runway's construction.

A milestone in the expansion programme was reached in May 1993 when Schiphol's terminal extension was opened in May 1993, boosting potential capacity to 27m passengers a year from 19m previously.

The extension, used primarily as a base for intercontinental flights, was designed so that Schiphol could retain its "one-terminal" structure, making transfers easier for passengers.

Schiphol is aiming to keep its future expansion within this one central terminal, altbougb satellite terminals may be necessary in the 21st century.

Transfer passengers, particularly those from regional airports in the UK, are crucial to Schiphol. In 1993, 43.4 per cent of all passengers arriving on scbeduled flights were stopping over to catch a connecting service.

In August, Schiphol opened a new pier dedicated to regional airlines, as part of its strategy of strengthening its position as a European aviation hnb.

Like other airports, Schiphol has a wide range of facilities for business travellers, including office space, lounges and meeting rooms.

Ronald van de Krol

EUROPEAN AIRPORTS 4

Michael Donne looks at the case for expansion in southern England

Coping with the crowds

Months before the public inquiry into the proposed Terminal 5 at Heathrow, London, pressure is building for further airport expansion in southern England.

The inquiry, in May next year, will examine the case for Terminal 5 set out by BAA which owns Heathrow, Gatwick and Stansted in south-east England as well as Southampton in the south-east and Glasgow, Edinburgh and Aberdeen in Scotland.

The company says that by 2015 traffic at BAA's south-eastern airports will have soared from more than 70m movements now to about 160m. If terminal capacity does not increase, traffic will be lost to European competitors, such as Amsterdam, Frankfurt and Paris.

London City Airport: the airport is noted for its pleasant, stress-free terminal facilities

BAA says it will self-finance the £900m Terminal 5. If work starts by 1997, the first phase will be completed by 2002, adding 15m passengers a year; phase 2, expected to finish by 2013, will double this to 30m. The extra space will raise Heathrow's capacity to 80m passengers a year; in the 12 months to this September it handled 50.3m.

BAA says that over the past 20 years, the number of passengers at Heathrow has more than doubled, while the number of people affected by noise has been reduced from 2m to fewer than 500,000 by the use of quieter aircraft.

When Terminal 5 is completed, BAA says this number will bave fallen to about 300,000. The company encourages the use of quieter aircraft by offering discounts on airport charges for them and penalties for noisier ones.

If approved, Terminal 5 would create 6,000 jobs – not including those in construction work – and 8,000 existing jobs would be protected. Heathrow generates 70,000 jobs, and the airport and the businesses it supports contribute £3bn a year to the economy.

Airlines and other aviation businesses strongly favour Terminal 5. But opposition is expected from residential and environmental lobbies around Heathrow – despite the BAA's rejection of another runway and its promises that everything would be done to lessen environmental prohlems.

Long before Terminal 5 is fully operational however, BAA and the airlines will have begun to think hard about how to cope with further traffic growth. New terminals are under consideration for Gatwick and Stansted and another runway will be needed at one of the southern airports.

The runway debate is becoming contentious. BAA, believes that a new one is not likely to be needed elsewhere in the south-east at least until 2010, a view supported by a Department of Transport working group, Runway Capacity to Serve the Soutb East (Rucatse), which says "benefits to passengers could provide a case for a further runway at Heathrow or Gatwick by 2010 or, if this were not provided, at Stansted by 2015".

Rucatse says there is scope for making more use of existing airport capacity in the south-east than had been assumed, and that greater use of regional airports would also belp to delay the need for expansion in London.

It identified possible sites for additional runways at the four main London airports, and looked at the plan for an off-shore airport near Sheerness (Marinair). Rucatse was not asked to make any formal recommendations but its report was intended to stimulate debate in UK commercial aviation.

The airlines believe that if traffic increases, anothar south-east runway would be needed – by 2005 rather than 2010 – at either Heathrow or Gatwick, to benefit from expanding inter-lining (connecting) traffic.

The Britisb Air Transport Association (Bata), representing the airlines, says that traffic growth has outstripped projections, and could reach the 160m level by 2010 rather than 2015. A study it commissioned from Alan Stratford and Associates shows that London's capacity would ba exhausted by 2012 (near the time that Terminal 5 would be working) and that by 2015 there would be more than 22m passengers too many for London's airports.

"This clearly points to the need for new runway capacity to be provided in the early years of the next century, even if Terminal 5 and expansions at Luton and Stansted are sanctioned," says Bata.

"If new (runway) capacity is to be provided, the Heathrow/Gatwick axis is the most efficient location for it."

Earlier this year the Chartered Institute of Transport, in its report "New Solution for Heathrow", also argued that Rucatse under-estimated the urgency of the need for additional runway capacity at Heathrow, and did not "adequately assess the broader economic issues and the vital contribution which air services make to the prosperity of the economy". Nor did Rucatse fully acknowledge "tbe advances in aeronautical technology which hava substantially reduced, and will continue to reduce, the adverse environmental impacts of airline operations."

The institute said more aircraft could use the airport if parallel runways were built closer to the existing runways.

Meanwhile, other expansion scbemes are emerging: an independent company has proposed redevelopment of the airfield at Redhill near Gatwick, as a "reliever" airport. BAA continues to spend large sums on its own airports. Apart from Terminal 5, which will cost £100m even before the planning inquiry starts, tbe company has earmarked £3.5bn for capital expenditure at all its airports in the next 10 years.

The John Mowlem-owned London City Airport is steadily expanding, forecasting up to 460,000 passengers in 1994, compared with 245,000 in 1993 and hoping for 1m passengers a year by the end of the century.

■ Paris

Expansion comes under scrutiny

Tbe battle over bow to accommodate more aircraft and passengers in the Paris regioo appears to have been suspended until after next spring's presidential and municipal elections.

Aeroport de Paris (ADP), the pnblic operator for both Cbarles de Gaulle at Orissy and Orly, bad planned to build a third runway at Orissy by 1997 or 1998. But the question is now being scrutinised by a special commission thet is not doe to present its cooclusions until June next year.

The commission is also looking at the idea of building a third airport in the capital area to relieve pressure on the two existing facilities which bave not reached saturation but could do so if air traffic cootinoes to increase.

One analyst said he expected the commission to come down in favour of both schemes, as it would take about 20 years to complete the new airport.

Meanwhile, the ADP projects aircraft movements and passenger traffic to rise by an annoal average by 3 per cent over the next five to 10 years.

If the analyst is right, the government could have a number of schemes to choose from. Four scbemes bave already been drawn op: two in the Amiens regioo, ooe near Chartres and the other near Chalon-Sur-Sooe, all of which are far from the capital.

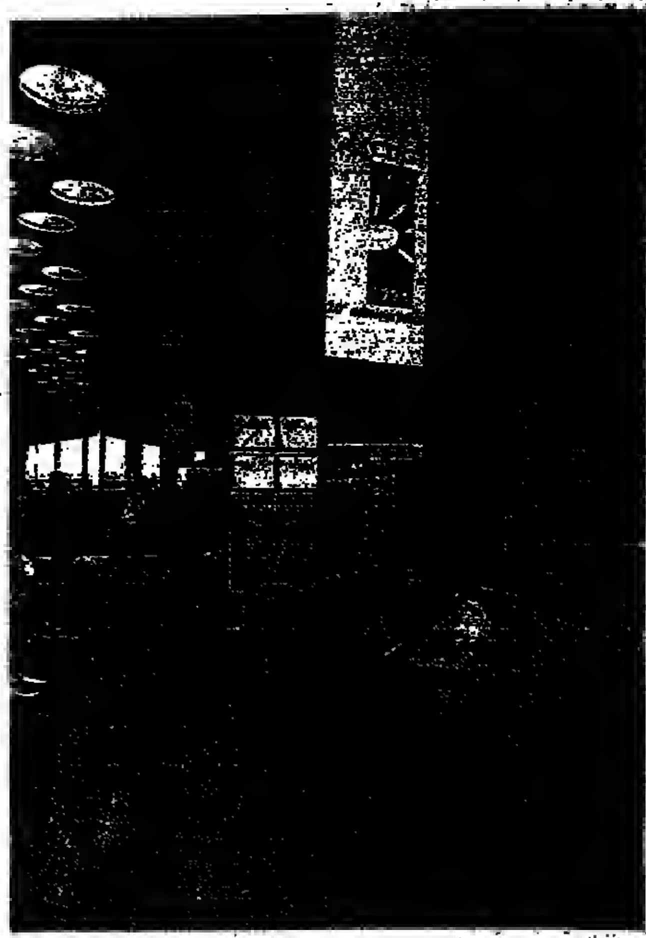
Of the two existing airports, Orly is the most congested. Runways are operating almost at full capacity for three to four bours a day, compared to one to two hours at Charles de Gaulle.

This is the reason transport minister Bernard Bosson cites for seeking a ban on smaller carriers from peak travel hours on busy routes from Orly in mid-1995. Initially the ban was to apply to only the Orly to London route but it is now to be widened.

Protests from local politicians and residents held sway over the plans before the commission was set up, and the government had agreed to shift eastwards the location of the proposed third runway at Charles de Gaulle.

It also said it was giving up the original long-time "hypothesis" of increasing passenger traffic to 80m from the present 27m. The original plan inclnded the possibility of building five runways.

Mr Bosson said that the concerns of local residents were also behind the decision to keep aircraft movement at Orly down to the current level of about 200,000 a year instead of allowing them to increase to 330,000 an idea that was first mooted by the ADP, chief spokesman Jacqnes Reder said.



Charles de Gaulle: work continues on terminal extension Sarah Murray

Even so, work continues on the extension to terminal two at Charles de Ganlle, with E wing dne for completion in 1997.

This will follow the opening earlier this month of the high speed train and urban RER train's so-called interchange module in the centre of terminal two.

In addition FF250m will be spent at Orly over the next two years to enable the west and south terminals to handle both international and national traffic rather than specialising as they do at the moment.

This is intended to iron out the traffic peaks in both cases, Mr Reder added.

Barbara Casassus

■ Brussels

Belgium's dinosaur is put to rest

Belgium's international airport in Brussels has long suffered the strain of serving thousands of Eurocrats, business travellers, MEPs and their families who bave migrated to Europe's capital since the 1960s.

Built in 1958 for the World Expo in Brussels, it preceded the influx of people working for European institutions and was created in order to serve 6.6m passengers per year. Last year, thet limit was exceeded by 4m.

Tbe crowded terminal, lengthy waits at passport control and old-fashioned baggage carousels will next montb become history.

Brussela Airport Terminal Company (BATC) has invested BFr20bn in a new terminal whicb is due to open on December 11. The terminal will be big enough to shift some 15m passengers per year, a limit it is rapidly expected to meet.

The new concourse represents only phase one of a master plan for the airport. Well served with runways – Zaventem has three – BATC says it hopes to construct another concourse by the year 2,000.

The developments which are due to open next month are particularly important for Belgium, a member of the Schengen frea travel agreement which covers all EU countries except the UK, Denmark and Ireland.

This will come into place some time in the new year and will allow the Belgian authorities to separate easily Schengen passengers, who will not be required to show their passports at the immigration counter, from passengers from the rest of the world, who will.

With one of the highest percentages of business travellers in Europe, the new concourse has been built with a special eye to their needs.

An unwritten goal for BATC is that at non-peak hours, it should only take passengers 20 minutes from when they park their car, or alight from their taxi, to when they board the plane.

The new concourse will also house a business centre, with meeting rooms and offering secretarial services.

Emma Tucker

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday November 15 1994

IN BRIEF

Hoechst chief sees bright future

The stock market value of Germany's Hoechst chemicals and drugs group will double by the end of the decade, following restructuring and a management shake-out, Mr Jürgen Dormann, chairman, said. Page 20

Schering chief forecasts big profits rise
Profits at Schering, the German pharmaceuticals group, will rise this year by 10 per cent to DM310m ($202m) and turnover by between 12 per cent and 14 per cent, Mr Giuseppe Vita, board chairman, said yesterday. He said the dividend would "at least" match last year's DM14.22. Page 20

Sybase acquires software group
Sybase, a leading supplier of database software for large computer networks, is to acquire Powersoft, a software development tools company, in a stock swap valued at about $782m. Page 21

Czechoslovak Airlines seeks local investor
Czechoslovak Airlines is about to enter talks with Czech financial institutions that could lead to a new shareholder injecting fresh capital into the loss-making carrier. Page 22

Molson to sell retail interests
Canada's Molson Companies plans to narrow its focus to brewing and specialised chemicals, and to dispose of its retail hardware business. Page 21

Telco ahead at Rs562.8m on record sales
Tata Engineering and Locomotive Company (Telco), India's leading commercial vehicle maker, saw operating profit in the six months to end-September almost double to Rs2.24bn ($71.3m) from Rs1.12bn a year earlier. Page 24

Unbundled Barlow rises 48%
Barlow Limited, the rump of South African conglomerate Barlow Rand which was unbundled last year, reported after-tax profits of R412.4m ($117m) for the year, a rise of 47.8 per cent from the pro forma figures for the previous year. Page 23

City sceptical on Cookson merger
A combined Johnson Matthey - Cookson group would have a market value of about £2.5bn ($4.1bn) and annual sales of £3.5bn propelling it into the UK's list of top 100 companies. But analysts believe that, size apart, the rewards from putting the two together would be fairly modest. Page 28

Dunnes battle comes to court
A two year battle for control of Dunnes Stores, Ireland's largest retailer, moves to the High Court today when Mr Ben Dunne, the former chairman, will ask the court to break-up the family trust that has owned most of the company since the 1960s. Page 30

Sketchley aims to rebuild image
Sketchley the UK cleaning company is poised to embark on a marketing campaign in an effort to rebuild its image and increase awareness of its brand name. Page 29

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Bay Vereins	459	+	7
Goldschmidt	827	+	17
Lufthansa	204	+	4.5
Schering	969	+	9.7
Spring Act Rg	646	+	14
Falls			
Heidelb Zem	1225	–	34

NEW YORK ($)			
Rises			
Biogen	40¼	+	⅛
Chiron	74½	+	3
Chrysler	48⅛	+	2½
Eastman Kodak	47	+	1¼
Genentech	47⅝	+	⅛
Falls			
Kmart	15⅜	–	¼

New York prices at 12.30pm.

PARIS (FFr)			
Rises			
Immobanque	791	+	21
Simco	436.2	+	11.2
Unibail	475	+	18.9
Falls			
Accor	615	–	13
Cred Fonc	815	–	16
Spie Batignolles	261.5	–	18.5

TOKYO (Yen)			
Rises			
Chiyoda F&M	644	+	32
Nihon Cement	697	+	19
Nip Paint	690	+	57
Falls			
Ando Corp	551	–	20
Jap Syn Rub	646	–	19
Toshoku	685	–	24

LONDON (Pence)			
Rises			
Bk of Scotland	216½	+	7
Bett Bros	175	+	8
Bibby (J)	73	+	4
DCS Group	58	+	3
Eurotunnel Uts	270	+	17
Gent (SR)	82	+	5
ICI	771	+	16
Inspirations	135	+	7
Magnum Power	114	+	14
Rolfe & Nolan	219	+	10
Shaw (Arthur)	24	+	2
Smith (J) Est	98	+	3
Vodafone	217½	+	9½
Falls			
Asprey	148	–	11
Caffyns	245	–	23
Metrotect	73	–	7
Oceana Cons	129xd	–	10½
Wardle Storeys	371	–	24

Kerkorian hits out at Chrysler

By Richard Waters in New York

Mr Kirk Kerkorian, the billionaire US investor who is the biggest shareholder in Chrysler, yesterday launched an attack on the carmaker's anti-takeover defences and said ha wanted to raise his stake in the company.

In a letter to Chrysler's board yesterday, Mr Kerkorian also called on the company to take steps which would increase the value of the company's shares. Thess included undertaking a "meaningful" stock buy-back programme over the next year, raising its quarterly dividend and enacting a two-for-one stock split. The Las Vegas-based investor said he had been rebuffed in earlier approaches to the company.

The company's shares jumped 5 per cent in heavy trading during the morning, lifting Chrysler's market valoe to $17bn. When Mr Kerkorian first bought his stake of more than 9 per cent in December 1990, the company was in the throes of a financial crisis and was valued at less than $3bn.

Under a poison pill plan adopted in 1990 to ward off Mr Kerkorian, Chrysler's directors could thwart any attempt by an investor to take a stake of more than 10 per cent by giving otber investors the right to buy additional shares at half-price.

At the time it was introduced, Chrysler said the plan was intended "to act in the best interest of all the company's shareholders if someone should seek to obtain a position of control or substantial influence over Chrysler".

Tracinda, Mr Kerkorian's private investment company, indicated that it would seek approval under US anti-trust law to take its stake in the carmaker to as much as 15 per cent.

A week ago, a brief announcement by Mr Kerkorian which was filed with the SEC for regulatory purposes, prompted concern among Chrysler shareholdera that he was preparing to sell part of his investment, in turn hitting the company's share price.

To conserve cash, the company halved its quarterly dividend to 15 cents a share in 1991. This year, with the North American car markets booming, it has raised the dividend twice, to 25 cents.

Directors are scheduled to meet on December 1 to agree the next dividend payout.

Mr Kerkorian, whose current interests include the MGM Grand casino in Las Vegas, has become a close personal friend of former Chrysler chairman Mr Lee Iacocca since 1990. Mr Iacocca stepped down from the Chrysler board last year.

BSkyB chief may receive £2m bonus

By Raymond Snoddy in London

Mr Sam Chisholm, the chief executive of British Sky Broad casting, could receive up to £3m ($4.9m) this year in salary and bonuses, the pathfinder prospectus for the satellite television venture revealed.

In addition to his salary this year of ahout £340,000, Mr Chisholm, who is regarded as a key figure in turning around BSkyB, has received £732,000 based on 0.5 per cent of pre-tax profits in the 1993-94 financial year. Since June 1992 BSkyB has moved from an operating loss of £47m to an operating profit this year of £170.1m.

The document reveals that when the BSkyB share price is quoted, £7.5m will be distributed among 11 present and former managers as a one-off payment. Of the total, £3.8m will be paid to three current and proposed directors. Mr Chisholm is expected to receive more than half this total, possibly as much as £2m.

The prospectus for the company's London and New York flotation also showed continuing growth in subscriptions.

During the three months to the end of September this year, normally a quiet period for subscription growth, BSkyB added more than 162,000 new subscriptions through dish and cable networks, lifting the total to 3.65m.

Mr Richard Brooke, BSkyB chief financial officer, said "the relentless growth" was continuing despite the October price increase of £3 a month to all programme packages, taking the top price for all channels to £22.99 a month and increasing the basic service from £6.99 a month to £9.99.

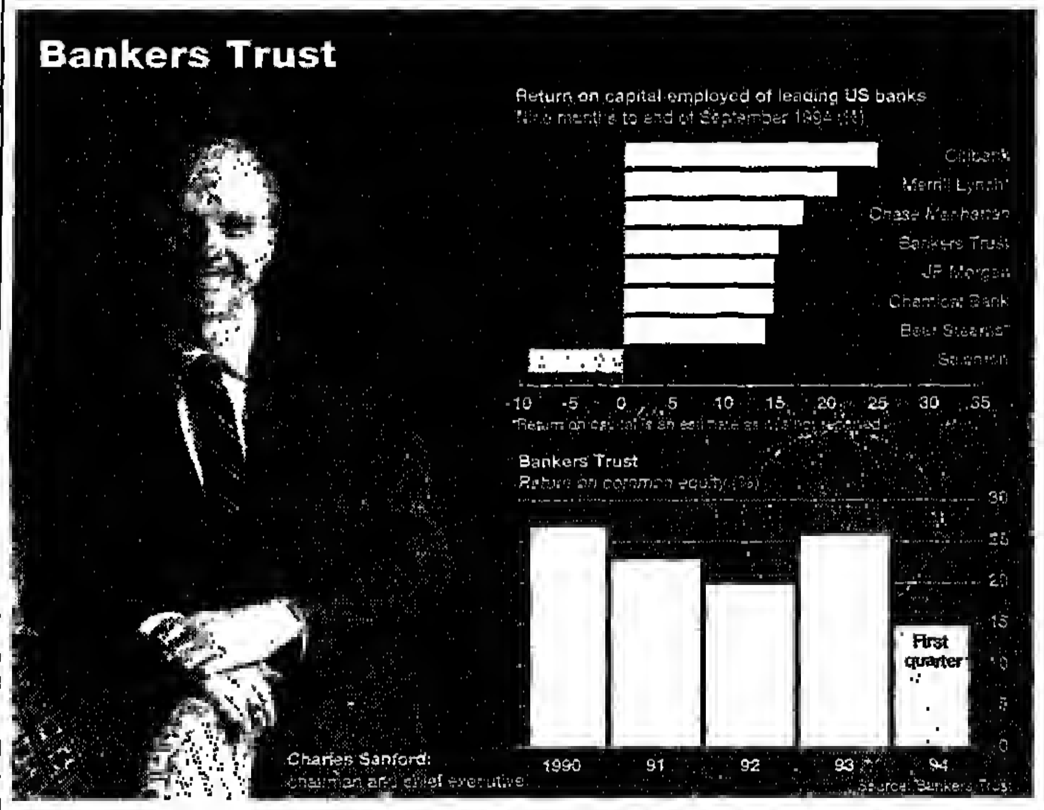
BSkyB, a consortium in which Pearson, the media group that owns the Financial Times, now has a 17.5 per cent stake, claimed the company had experienced "no material change" in the rate of disconnections since the price increases were announced last August. In the past three years the annual rate of disconnections had been cut by more than half to its present figure of around 13 per cent. This compares with a so-called "churn rate" experienced by some cable companies of between 30 and 35 per cent.

BSkyB confirmed that the 20 per cent of the enlarged share capital which is to be floated is likely to be priced at between 233p and 268p valuing the company at between £4bn and £4.6bn. Net proceeds from the global offering based on a mid-point pricing would be around £810m although a new external bank loan will bring new money to £1.21bn.

The money will be used to repay shareholder deht or shareholder guaranteed bank deht with Mr Rupert Murdoch's News International which at present owns 50 per cent of BSkyB drawing around £800m in cash.

Lex, Page 18

Richard Waters reports on a failure of leveraged swaps



Charles Sanford: chairman and chief executive
Source: Bankers Trust

Risky business reveals US bank's Achilles heel

Leveraged swaps have turned into the Achilles heel of Bankers Trust's derivatives business.

The bank says it has sold these instruments to fewer than a dozen companies, all of them in the US. But at least two of these companies heva since filed lawsuits over multi-million dollar losses they incurred. And an internal investigation has uncovered breaches of the bank's rules in the way other leveraged swaps were sold to companies, leading to the removal of six executives from their posts last week.

In an interview before the internal actions last week, Mr Charles Sanford, the hank's chairman, refused to comment on the legal cases – a $130m claim from Procter & Gamble, the consumer prodncts group, and a $73m lawsuit from Gibson Greetings, a greetings card company. But, referring to companies which buy complicated financial instruments, he said: "Everybody has to have risk management."

Whatever the merits of the lawsuits and the outcome of Bankers Trust's internal review, the experience of recent weeks raises some questions.

First, should the bank have been selling these instruments to companies at all? Under a leveraged swap, the normal payments that would he mads under an interest rate swap agreement are multiplied, making them more volatile when market rates move.

Mr Brian Walsh, tha bank's head of derivatives, says many companies last year were engaged in "aggressive hedging" – an apparent contradiction in terms. "In some cases, it probably was [speculation]," he says.

Knowing this, was the bank right to sell such instruments to non-financial companies? According to Mr Walsh, leveraged swaps were only sold to companies with sophisticated treasury departments capable of understanding and managing the risks.

Mr Sanford, meanwhile, says the bank will follow a "belt and braces" approach in future, taking extra care to ensure companies understand what they are buying. With regulators breathing down its neck, the bank is likely to seek to control its derivatives sales force more closely.

For a bank that has been at the forefront of developments in the derivatives markets, putting the hrakes on ambitious staff could cause problems. Mr Sanford, who has himself been something of a visionary in the growth of derivatives, says: "I hope we will always be an innovative company with good products."

Second, does the failure of the leveraged swaps reveal a deeper weakness in Bankers Trust's ability to manage financial risk?

"They didn't work out as well as we'd like," says Mr Sanford of the disputed contracts. But he adds: "In the rest of the derivatives business and the rest of the bank, we didn't feel any problems" from the upheaval in financial markets this year.

Certainly, the bank's management of risk in its own trading business this year has been more affective than many other big traders, whether hedge funds or other banks – though it failed to repeat last year's $1.6bn of revenues from trading, much of it from proprietary trading.

"We've outperformed most of our competitors with a 15-16 per cent return on equity, even with a big capital base," says Mr Sanford. "If this is our low year, that's not at all bad." For now, the bank has pulled in its horns, withdrawing much of its capital from proprietary trading – though it expects to return in force when conditions improve.

Third, do the cases reveal a deeper weakness – a lack of the sort of lasting relationships with big US companies that will support its business in future? While the bank has made a successful business out of raising finance for below-investment grade companies, its dealings with big companies have tended to come either through its trading husiness, or through its trust and custody business.

Mr Sanford concedes: "Our history has been not having a strong relationship with the top tier of corporations." He adds, though, that the bank has made headway in recent years in this area.

The bank's relationship with Procter & Gamble was not handled hy a single relationship manager. That is not surprising, given that Bankers Trust claims to have sold derivatives to 3,100 different entities over the years. "With all these counterparties, there will be lots where the relationship is at the product management end," says Mr Sanford. But as the leveraged swap experience is showing, that strategy can break down when product managers are loosely controlled.

For now, Bankers Trust's headaches seem to confirm the scepticism that has dogged it through the 1990s. Despite a spectacular post-tax return on capital of more than 20 per cent in each of the past four years, the bank's shares have consistently traded at a discount to its peers.

Mr Sanford is unapologetic. The bank will not change its strategic direction, he says. The case for derivatives – that they provide a way to manage risks more effectively, whether for companies, investors or banks – stands.

"I don't see it slacking off in intellectual or practical intensity," he says. "It's a technique for risk management that is so efficient, I don't think that it will slow down."

In its lawsuit against the bank, even P&G talks of the way derivatives can hold down borrowing costs or reduce risk. Says Mr Sanford: "Most senior managers [in corporates] are now locked into using derivatives."

Shell pays Edison $152m for control of Italian venture

By Andrew Hill in Milan

Royal Dutch/Shell is to strengthen its presence in Italy by huying the half-share of the MonteShell petroleum joint venture which belongs to Edison, the energy subsidiary of the Montedison industrial group.

Shell Italia, the group's Italian subsidiary, is to pay L238bn ($152m) for total control of the refining, transport, storage and distribution operations of MonteShell, which was formed in 1987. MonteShell has a 7.6 per cent share of tha Italian market.

The two companies announced yesterday that they had reached agreement on the sale, which should be completed early next year. The price will be fixed after MonteShell reports its 1994 results. It is the second big deal struck by Montedison and Shell in the past year.

The Italian company is restructuring following its near-collapse in 1993, while the Anglo-Dutch group is pursuing a programme of expansion in Italy.

Under the terms of the preliminary agreement on MonteShell, Edison will pay MooteShell L58hn to retain a 50 per cent stake in its liquid gas operations and in some industrial activities near Trieste.

Montedison and its financial holding company Ferruzzi have been pursuing a divestment programme since last December in an attempt to reduce debt.

Yesterday, Montedison said that the proceeds of the MonteShell sale would be reinvested to help develop the group's energy sector.

Edison, which is listed on the Milan Stock Exchange, is the higgest of Italy's private energy producers and could benefit from a liberalisation of the sector after the privatisation of Enel, the state-owned electricity company, next year.

Demand bolsters British Steel

By Andrew Baxter in London

British Steel, Europe's second largest steelmaker, is raising its interim dividend from 0.5p a share to 2p after a surge in half-year pre-tax profits from £27m to £159m ($260.7m).

The company reported its best interim results since 1990/1991 yesterday. Mr Brian Moffat, chairman and chief executive, said the rise in the dividend reflected the better results and the more favourable economic outlook. Prospects for the second half were encouraging, he said, with demand in the UK and continental Europe expected to grow by about 5 per cent this year.

The company has indicated to analysts that the interim payout could represent one-third of its total dividend for the year, indicating a final payment of 4p and a total of 6p. That compares with just 2p for 1993/94.

The City of London had been expecting a big rise in British Steel profits and in the interim payout, and the shares closed 1p higher last night at 159½p.

Some analysts raised their profit forecasts. Mr Tony Lancelott at UBS, one of the British Steel house brokers, lifted his forecast this year from £375m to £400m.

British Steel is benefiting from a worldwide increase in steel prices as demand rises and supply is squeezed. Volumes and prices rose about 6 per cent in the first half. Mr Moffat said that, in D-Mark terms, continental European steel prices were still about 10 per cent below 1989 levels, and steelmakers would be looking to recoup at least that difference.

UK plants are working at 95 per cent capacity, even though UK steel demand is still 25 per cent below its 1989 peak.

Mr Moffat said steel demand in developing countries was growing by 5-7 per cent a year compound, and already accounted for 43 per cent of total steel demand worldwide.

British Steel, he said, would continue to press the European Commission to resolve the subsidies issue, following the partial withdrawal of the Commission's steel rescue plan.

He was encouraged by the refusal of Mr Tim Eggar, UK industry minister, to endorse the latest proposal to support Eko Stahl, the east German steelmaker. A rescue plan has to be agreed unanimously by EU industry ministers.

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Hoechst sees market value doubling by year 2000

By Christopher Parkes and Daniel Green in Frankfurt

The stock market value of Germany's Hoechst chemicals and drugs group will double by the end of the decade, following restructuring and a management shake-out, Mr Jürgen Dormann, chairman, said.

Mr Dormann, who has made wide changes in management and operations since taking over in May, also aims to double sales in Asia from 10 per cent to 20 per cent of group turnover.

Outlining his ambitious programme, he told the Financial Times he would continue looking for a further "two or three" mid-sized pharmaceuticals companies to add to Hoechst's recently-acquired US interests in generic drugs.

However, be would wait until prices became more reasonable. Hoechst had "perhaps" paid too high a premium in last year's purchase for $546m of a 51 per cent stake in Copley, a US generic drugs maker, he said.

Industrial gas production would be expanded with a newly-approved scheme to invest DM500m ($327.22m) in the company's Messer Griesheim subsidiary.

Hoechst had taken a risk spending heavily on moving into emerging east European markets, but all its new businesses there had become profitable within 12 to 18 months of start-up. Negotiations were under way for several joint ventures in China.

In ona of the chemical industry's most persistent problem sectors, Mr Dormann said further measures might be necessary to reinforce Hoechst's restructured PVC production. Most of its operations were merged last year with those of Wacker of Germany into a new company, Vinnolit, which accounts for some 10 per cent of west European production capacity. But this was not enough, Mr Dormann indicated, and there could be room for a third partner.

Combined with structural changes effective from January 1, which will reduce the number of operating divisions from 15 to seven and transfer responsibility for divisional strategy and profits to their managers, the result would be "a doubling of our share price by 2000", Mr Dormann said.

He also revealed be was reconsidering his plans, drawn up in his previous job as chief financial officer, for an initial public offering of shares in the US subsidiary, Hoechst Celanese. An international placing of shares in electrodes subsidiary Sigri Great Lakes Carbon, however, was still set for next spring.

The placement plan for Celanese was originally intended to consolidate its independent status, but Mr Dormann said his decentralisation project should serve the same purpose. "We will know in another 12 months," be said.

Groups bid for Spanish telecoms licence

By Tom Burns in Madrid

Two consortia, both predominantly backed by domestic capital and each including foreign operatofs, entered their bids yesterday for Spain's secood mobile telephone licence. The licence will be awarded by the Spanish government before the end of the year.

The competition pits the Cometa-SRM consortinm, which has Banco Bilbao Vizcaya as its biggest individual shareholder, against Airtel-Sistelcom-Raditel backed by Banco Central Hispano and Banco Santander.

The contest to operate a Global System for Mobiles (GSM) mobile digital network, which will compete with one reserved for Telefdnica, the state-controlled communications group, is the first hig step in a deregulation package which, over the oext three years, will introdnce cable television and end Telefónica's monopoly as a national basic telephony operator.

"This is the most significant investment challenge in Spain to date because it involves the hreak-up of voice monopoly," said Mr Clandio Boada, managing director in Spain of the US investmeot bank Lehman Brothers, which is advising the transport and communications ministry.

The bid is one of the biggest domestic investment ontlays on record to capture what is regarded as a very bigb growth market. There are some 400,000 sobscribers for Telefónica's existing analogue cellular system. Mr Boada believes that over the next 10 years the GSM system will win a 12 per cent market peoetration in Spain and 4m subscribers.

The consortia must bid a minimum of Pta50bn ($393m) to obtain the llcence, but analysts belleve the real net value of the licence could be some Pta160bn. The winning consortinm will then face an initial investment of some Pta120bn.

Officials say the bids will begin to be reviewed next week, and the decision will be announced by December 31.

Schering chief forecasts annual profits ahead 10% at DM310m

By Judy Dempsey in Berlin

Profits at Schering, the German pharmaceuticals group, will rise this year by 10 per cent to DM310m ($202m) and turnover by between 12 per cent and 14 per cent, Mr Giuseppe Vita, board chairman, said yesterday. He said the dividend would "at least" match last year's DM14.22.

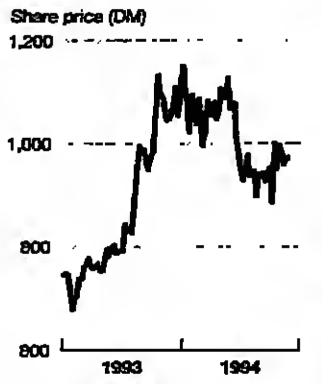
Mr Klaus Pohle, chief financial officer, said be expected group sales to increase by about 8 per cent a year until the eod of the century, more than 4 percentage points bigher than the industry's expected average growth. This would boost Schering's turnover to DM7bn-DM8bn.

Growth is attributed to the wider marketing of the Betaseron drug, a treatment for multiple sclerosis; the introduction of Levovist, an ultrasound drug; and the recent decision to refocus on pharmaceuticals.

In the first nine months of this year, net profits rose 8 per cent to DM210m, compared with the same period in 1993, while turnover increased by 14 per cent to DM3.52bn. Net profits for the whole of 1993 totalled DM254m, with turnover at DM5.3bn.

The optimistic forecasts for the next five years stem from Schering's decision two years ago to divest its industrial chemicals and natural substances divisions, and hive off its agro-chemical divisions into a joint venture with Hoechst, which took effect last January.

Schering



Source: FT Graphite

Mr Vita said he expected the Betaseron drug, currently only on sale in the US, to obtain approval for distribution in Canada in the middle of next year, as well as in some European countries.

"We expect turnover of Betaseron to increase to DM350m by the end of this year," be said. Turnover for the first nine months totalled DM230m. The Levovist drug would boost sales by between DM300m and DM500m.

Turnover for Cyproteronacetat, or CPA, a drug containing hormonal treatments and which is used for contraceptives, fell 3 per cent between September and October following unconfirmed reports that the drug contained a carcinogen, a substance that encourages the growth of cancer.

UBS holders urged to reject change

By Ian Rodger in Zurich

Union Bank of Switzerland shareholders have been recommended to vote against the board's controversial proposal to convert its registered shares into bearers. The advice, in what is a setback for UBS, comes from a leading US adviser to institutional investors on corporate governance issues.

Institutional Shareholder Services (ISS), a proxy advisory service, said the UBS board's proposal, which will be put to an extraordinary meeting of shareholders next Tuesday, violated the principle that basic company structures should not be altered in the midst of a battle over control.

The governance of UBS is being challenged by BK Vision, an investment company that is its largest shareholder. BK, controlled by maverick Zurich broker Mr Martin Ebner, is seeking to rally a majority of shareholder votes at the next general shareholders' meeting in April to make substantial changes to the bank's board and strategy.

UBS has claimed the challenge had an unfair chance of succeeding because its backers were accumulating large numbers of registered shares.

The par value on the registered shares is one fifth that of the bearers. Investors can thus acquire votes more cheaply by buying registered shares than by buying bearers.

ISS, founded 10 years ago by Mr Bob Monks, a pioneer of the US corporate governance movement, said the move by the bank to strip the registered shares of their extra voting power without compensation was unacceptable.

"While we agree that allowing any shareholder to influence or control the bank without controlling a majority of its share capital would be improper, allowing the bank to disenfranchise and cause economic damage to a whole class of shareholders because of a dispute about strategy with one individual is also improper," ISS said.

The recommendation from ISS, which provides advice on worldwide proxy voting for some 75 institutional investors, is a setback for UBS.

The bank is counting heavily on the support of non-Swiss shareholders, saying as holders of bearer shares they can only benefit if the motion is passed.

BMW's US plant first in global network

By John Griffiths in Spartanburg, South Carolina

BMW is to open a new $600m car manufacturing facility in the US today. Mr Berndt Pischetsrieder, chairman, described the Spartanburg plant yesterday as "only the first" of a global network of manufacturing sites which will preclude further expansion in Germany.

BMW sees the plant as by far the single most important manufacturing step It has taken outside of Europe.

Mr Pischetsrieder insisted the plant, where 570 employees earn little more than one-half of their German counterparts, and which – on current exchange rates – has costs some 30 per cent lower, was not a signal that BMW was "emigrating" from manufacturing in Germany.

However BMW's four existing plants could meet all foreseeable demand for its cars in Europe, within its strategy of remaining an "exclusive" carmaker with a world market share of around 2 per cent.

"We don't want to grow in Europe," said Mr Pischetsrieder. BMW would now concentrate on developing a global component supply infrastructure and manufacturing network for the BMW and Rover brands, be said.

BMW has declared a long-term goal of producing 90,000 cars a year at the US plant, probably before the end of the decade. But according to Dr Helmut Panke, chairman and chief execntive of BMW (US) Holding, and in charge of all BMW's North American activities, the plant may have to expand further – to 120,000 or 130,000 units annually – if BMW is to achieve the full benefits of flexibility within a global production system.

"In the long run there will be other opportunities ... that's why we have a 1,000-acre (Spartanburg) site."

Although only being formally opened today, the plant has been in limited production since September. It is making only 12 cars a day but this is due to rise to 150 a day by the middle of next year and 300 a day in 1996. Initial production is of 3-series saloons, to be joined by a new open two-seater next September.

Elektrowatt net income falls just short of record

By Ian Rodger

Elektrowatt, the Swiss power generation and engineering group, said net income in the year to September 1994 was sllghtly below the previous year's record SFr212m ($165m). No figure was given.

Mr Oskar Ronner, chief executive, said the group was hit hard by the strength of the Swiss franc. Consolidated sales rose only 3 per cent to SFr4.9bn and new orders were up 8 per ceot.

He added that the group would at least maintain its dividend and held out the possibility of a special bonus payment in recognition of its jubilee.

Elektrowatt, in which the CS Holding financial services group has a 46.3 per cent stake, said sales of electric power were 4 per cent higher at SFr1.7bn.

The engineering and contracting division lifted sales 6 per cent to SFr900m, but incurred a loss because of provisions on two projects.

● Holderbank Financière Glarus, the world's largest cement producer, expects consolidated net income to jump 48.1 per cent to SFr425m in 1994, due to improved results of subsidiaries in Europe and North America. Net sales would rise 3.2 per cent to SFr8.7bn, with shipments of cement and clinker rising 6.5 per cent to 49.2m tonnes, it said.

Mr Thomas Schmidheiny, chairman, said Holderbank planned to launch a programme of American depositary receipts in the US next year.

Tabacalera looks abroad for expansion targets

Tabacalera, the Spanish tobacco group, said it was actively looking at sevaral overseas markets to identify expansion opportunities, Reuter reports from Madrid.

"We are looking at the fastest growing markets which would be the most interesting for us," said Mr Calixto Rios, financial director, announcing a 104 per cent improvement in group nine-month pre-tax profits.

It set up a joint venture this year with ZPT Radom in Poland, where it produces its new Winns brand. Cigarette consumption in Spain is falling by 0.7-1.0 per cent a year, he said. Eastern Europe, Latin America and Asia, however, offer potential for growth.

The group's nine-month pre-tax profits rose to Pta13.05bn ($106m) from Pta6.4bn in the same period last year, as sales of premium brands rose due to a crackdown on smuggling. Costs fell as a result of lay-offs. Gronp net sales rose to Pta535.77bn from Pta456.3bn.

Sales of the top of the range Philip Morris and Reynolds brands, such as Marlboro and Winston, which Tabacalera makes under licence, were particularly buoyant. These are the types most popular with smugglers.

"The results have evolved very much in line with expectations. We hope the final quarter will be similar and we are sticking to our original forecasts," Mr Rios said.

The company expects to cut the workforce by 750 people, or nearly 9 per cent, by the end of the year.

INTERNATIONAL COMPANIES AND FINANCE

Viacom profits up seven-fold in third quarter

By Tony Jackson in New York

Acquisitions helped Viacom, the fast-growing US entertainment and media group, to a seven-fold rise in earnings a share in the third quarter.

The results included a first-time contribution from Paramount Communications, acquired for $9.6bn earlier this year.

However, they have yet to reflect Viacom's $8.4bn acquisition of Blockbuster, the video and music retailer, or its $1.1bn sale of Madison Square Garden.

Net earnings were $327.3m, compared with $30.9m, before extraordinary items, and earnings a share were $1.32 against 18 cents. Sales in the quarter were $2.1bn, up from $508m.

Mr Frank Biondi, president, said the inclusion of Blockbuster would improve results further. "Our prospects for the fully integrated company, when all our operations are reflected and we begin to benefit from the many cross-divisional activities now under way, are tremendously promising," he said.

Blockbuster'e sales in the nine months to September were up 42 per cent to $2.1bn and net profits by 26 per cent to $360.2m.

Earnings from Viacom's television networks were up strongly, largely because of higher advertising rates and eubscription revenues. However, profits from cable TV fell by 33 per cent, after a 12 per cent fall in the previous year, as a result of government-imposed cuts in cable rates.

Among tha activities acquired with Paramount, feature films earned $86m on sales of $431m in the quarter (no comparable figures were given).

Viacom said the quarter had been helped by such US releases as *Naked Gun 33⅓* and *Forrest Gump*. Television programming earned $18.7m, affected by lower syndication sales. Paramount Parks earned $30.3m, affected by lower attendances and higher costs.

The publishing division, also acquired with Paramount, earned $175m on sales of $701m. Results were helped by Paramount's own $553m purchase of Macmillan, part of the bankrupt Maxwell empire, at the start of the year.

Molson to dispose of retail interests

By Bernard Simon in Toronto

Canada's Molson Companies plans to narrow its focus to brewing and specialised chemicals, and to dispose of its retail hardware business.

However, the company also warned yesterday that the present strike by North American ice-hockey players and a disappointing performance by Diversey, its international cleaning-services subsidiary, would push earnings for the fiecal year to March 1995 below last year'e C$125.7m (US$92.5m).

Molson owns the Montreal Canadiens, last year's champion hockey team, as well as the arena where it plays. A dispute over players' salaries has led to an indefinite postponment of the start of this year's season.

Mr Mickey Coben, chief executive, said yesterday Molson would leave the retail sector "in an orderly fasbion" over the next year or two.

The retail interests, wbich include three cbains of do-it-yourself hardware stores in Canada, generated 22 per cent of Molson's revennes of C$2.97bn last year.

Bébéar keeps Axa on the global track

The French insurer's chief is sticking to his international vision, reports **Andrew Jack**

If there is one thing that is guaranteed to provoke Mr Claude Bébéar, bead of Axa, the insurance group, it is to suggest hie company is essentially French.

His focus for many years has been firmly international. Mr Bébéar was born in the Dordogne and began his career at Ancienne Mutuelle, a small mutual insurance company in Rouen (it became Axa after a series of mergers in the 1980s). He has since built it into one of the largest groups in the world, with more than $230bn in assets under management.

Fresh from the Ecole Polytechnique in Paris in 1958, he was selected as "daupbin" to succeed the father of a classmate as heed of Ancienne Mutuelle. He qualified as an actuary and worked throughout the company.

Before he was 30, be moved to Canada for two years to work for his company's affiliate. "I got to know North America and I understood that France is something small in the world," he says.

"I saw that there is another way to think than the French way. You realise that the way to do business is completely different elsewhere. I had to adapt to different ways of thinking."

It is a philosophy he has been committed to as be expanded the group overseas. At tha top are locally recruited management. "They know the market and are known in the market." Below them are international teams wbo can bring in new ideas and prove more innovative than the local staff working alone.

Axa wasted no time expanding internationally. Once in charge, Mr Bébéar quickly began a merger and acquisition programme, first domestically and then abroad. "I was convinced that one day the market would change and become global."

"You could survive then with a small business. That is less and less true. Companies are becoming bigger, and laws and liabilities more complex. Even small businesses are selling products outside France. The market is becoming more concentrated. You have to be able to follow your customer."

While arguing for diversification to reduce dependency on a single economy, he stresses it is important for Axa to remain strong in France. "We need to be among the leaders in a market. It is better not to be in too many markets but strong in a few," be says.

That said, Mr Bébéar is sure the future for his business lies in Asia. This summer he began operations in Japan and Axa also has a representative office

Claude Bébéar: 'I had to adapt to different ways of thinking'

in Beijing. "I'm convinced that in 20 or 30 years from now the Asian market will ba the biggest in the world," be says.

"The time to go is wben the market is starting, so you can grow with the market."

The global vision makes it all the more painful for him to recall a recent visit by a US credit rating agency which raised concerns about Axa's French casualty business when it represents just 18 per cent of the group's business. "We are seen as a French company," he says. "We want to show that we are becoming more and more global."

This helps explain why he is keen to have stock market listings for Axa: first in New York next year, and then probably in London and Tokyo by 1997 at the latest. "It is important to raise money elsewhere," he says. "The French market is too small, and US pension funds prefer to invest in a company quoted there."

His sensitivity to being perceived as running an essentially French company is also reflected in a $9m-a-year advertising campaign launched last month and aimed at international decision-makers.

He acknowledges, however, that some foreign investors are suspicious of the fact that Axa is controlled through a complex structure. Only 49 per cent is publicly held and the remainder is with seven insurance mutuals and several cross-shareholdings, which prevents any risk of takeover.

"I am very happy with the arrangement," ba says. "We are not in danger, no one can buy us. It means we can invest even if we know the market is against us or unable to understand us. It keeps us out of the reach of raiders."

He does not rule out the possibility of relinquishing the controlling shareholding of the mutuals, but is concerned that this could lead to a takeover. "I see Mr [Michael] Milken is back in business in the US."

As for Axa'e future, there is a paradox. Mr Bébéar has become known for developing a group stripped of hierarchy, with authority delegated and formality removed. "We have to tell managers they are not there to give orders to other people but to help them grow."

On the other hand, the company is clearly dominated by him. In the early 1980s, just before it became Axa, it was in danger of becoming known as "Groupe Bébéar", as one insider puts it.

"His company is not very hierarchical," says the director of a rival insurer. "But nothing gets done without Bébéar's knowledge or specific approval."

That prompts the question of what happens when he leaves. Now aged 59, he says he plans to start "reducing his involvement" from next year. He says no decision has finally been taken on his successor but he has written a letter of recommendetion in case anything happens to him unexpectedly.

The choice could prove just as important as any of Axa's international plans.

Sybase acquires software group

By Louise Kehoe in San Francisco

Sybase, a leading supplier of database software for large computer networks, is to acquire Powersoft, a software development tools company, in a stock swap valued at about $782m.

The acquisition is the latest in a series of software industry mergers over the past year.

"This merger will create the worldwide leader in client/server software," said Mr Mark Hoffman, Sybase chairman, chief executive and president. Sybase and Powersoft were, respectively, market leaders in database software and client/server software development tools, he said.

"The combination of the two companies strengthens our expertise, distribution, and product solutions to scale from the desktop to the enterprise."

The acquisition follows long-standing collaborative marketing arrangements between the two companies. Sybase estimates that a third of its customers use Powersoft software development tools.

Based on figures for the 12 months ended in September, the combined company will have annual revenues of about $730m, making it the seventh largest software company in the world. With a combined annual growth rate of 75 per cent, it will also be the fastest growing of the top 10 software companies worldwide.

Powersoft's share price soared on news of the acquisition, gaining almost $12 to trade at $73¼ before easing to $69¾ in mid-session trading, up from Friday's close of $61⅞. Sybase was down $1¼ at $46⅞.

Under the acquisition agreement, Powersoft shareholders will receive 1.6 Sybase shares for each Powersoft share.

Powersoft, based in Concord, Massachusetts, will operate as an independent subsidiary of Sybase, which is based in Emeryville, California.

NEWS DIGEST

Kmart hit by warm weather

By Richard Tomkins in New York

Problems at Kmart, the US discount store group, appeared to hava worsened yesterday when it reported a fall in after-tax profits from $104m in last year'e depressed third quarter to $39m this time.

It was the seventh consecutive quarter of earnings decline. However, Kmart had warned last month that profits would be down, and the shares were little changed. In early trading, they were down $⅝ at $16.

Kmart blamed the profits fall on unusually warm weather in late September and early October, which affected customer purchases of autumn clothing.

It said sales in the core discount store division had strengthened in the quarter as a whole, with revenues up 2.7 per cent at stores that had bean open for more than a year. However, the increase failed to translate into profits growth because sales were heavily weighted towards lower-margin goods.

Group revenues rose 9 per cent to $8.89bn. Net income of $104m for 1993 excluded $10m of losses from discontinued operations. On the same basis, earnings per share fell from 22 cents to 8 cents.

Since the end of the quarter, Kmart has sold its 21.5 per cent stake in Coles Myer, the Australian retailer, for $928m. It has also cut its stake in OfficeMax, one of its specialty retailing subsidiaries, from more than 90 per cent to 25 per cent.

Strong sales growth at Toys R Us

Strong growth in domestic sales and a fall in tax charges helped Toys R Us, the US toy retailer, report a 26 per cent increase in net profits in its third quarter to October, writes Richard Tomkins.

Net income rose to $47.4m from $37.5m, but the comparison was flattered by a one-time tax charge of $5m in last year's third quarter. Without the charge, profits growth would have been 12 per cent.

Sales rose 13 per cent to $1.63bn and operating profits, 15 per cent to $96m. Earnings per share, boosted by the company's stock repurchase programme, rose from 13 to 17 cents, a gain of 31 per cent.

Thomson ahead 18%

Thomson Corporation benefited from improvements in most of its publishing and travel businesses in the third quarter to post an 18 per cent rise in earnings, writes Bernard Simon.

The New York-based company, controlled by Canada'e Thomson family, lifted net earnings to US$263m, or 45 cents a share, from $223m, or 39 cents, a year earlier. Sales rose to $2.04bn from $1.86bn.

Thomson Travel's operating profits climbed 15.5 per cent to $164m. Its UK package-tour subsidiary achieved a 16 per cent rise in bookings last summer. Lunn Poly, the UK travel agency chain, is estimated to have boosted its market share by one percentage point, to 25 per cent. Operating earnings at the information and publishing division climbed 21 per cent.

INTERNATIONAL COMPANIES AND FINANCE

A listing in the time of calamity

Hanover Re has a lot riding on its partial float, writes **Andrew Fisher**

The first stock market listing of a German reinsurance company for 33 years – that of Hanover Re, to raise DM530m ($353m) – comes at a time of more frequent natural disasters, higher premiums and a more selective approach in the industry to new business.

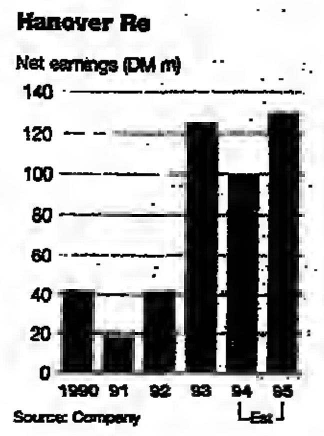
The issue is also one of the first with shares in nominal DM5 units instead of the usual DM50. These are now allowed under regulations aimed at encouraging private investors to buy more shares. Next to Switzerland, shares in Germany are the most expensive in Europe.

With its sister company, Eisen und Stahl Rückversicherung, Hanover Re is Germany's second largest and the world's fifth largest reinsurance concern. The new issue, in which 25 per cent of the capital is being sold, is the seventh largest in Germany since 1983.

Hanover Re and the issuing consortium, headed by Commerzbank, hope to convince German and foreign investors that the company's policy of forgoing growth in premium income in high-risk areas and concentrating on profitability will continue to pay off.

In deference to some analysts who thought the issue price might be too high for many investors, especially foreigners, the voting shares are offered at DM75 each for subscription from November 18 to 22. Some initial estimates were nearer DM90.

Mr Erich Coenen, a Commerzbank director, said yesterday the issue price was attractive, both "optically" compared with the high price of other reinsurance groups – Munich Re stood at DM2,750 – and "analytically": the price-earnings ratio of 15.8 based on expected 1995 earnings is well under the German sector average.



With Eisen und Stahl, which is more domestically-oriented than Hanover Re, gross premium income last year was DM5.3bn, a rise of 30 per cent. The underwriting loss fell to DM122m from DM263m and net profits shot up by nearly 200 per cent to DM125m. Group investments totalled DM10.3bn.

Mr Michael Reischel, Hanover Re's chief executive, does not expect growth to be as spectacular this year or next.

"We have grown enormously over the past three years," he said. But the group had resisted the temptation to expand liability levels – risks are simply too high in certain areas. "So we expect lower growth over the next few years. We are cutting back where necessary," says Mr Reischel.

The message is the same as that last week from Munich Re, the world's biggest reinsurance concern. Because disasters such as earthquakes, floods and typhoons have become more frequent, premiums have escalated. "Assets are more highly concentrated," said Mr Reischel. "Fifteen years ago, Hurricane Andrew in Florida would have caused a lot less damage."

Michael Reischel: 'industry cannot create money by magic'

The hurricane was the largest disaster, in terms of insured damage, to have hit the industry. January's earthquake near Los Angeles was the second worst.

As an example of risk areas where premiums have tended to rise steeply, Mr Reischel cites Japan where Typhoon Mireille caused heavy damage in 1991.

"The trend for natural disasters seems to be on the rise," says Mr Reischel. More damage and more insurance payouts are definitely to be expected.

Because the industry spreads its exposure internationally, this trend affects premiums in all sectors, not just those where the risk is severest. "Insurance customers, whether private or corporate, have to pay more if they want cover," says Mr Reischel. "The reinsurance industry can't create money by magic."

In the five years to 1993, premiums paid for worldwide catastrophe risks totalled nearly $20bn, says Mr Herbert Haas, a director of Hanover Re. Damage payouts totalled just over $18bn, but brokerage, interest and other costs pushed this up to $25bn, leaving the industry with an overall deficit.

Thus, many reinsurers and primary insurance companies have pulled out or been forced out of the reinsurance business. Mr Reischel puts the figure at more than 100 since 1990. New reinsurance capacity is available from Bermuda, but Mr Reischel sees this as positive – "since new investors are only looking for returns, they will hopefully prevent a rates war".

Because it was founded as recently as 1966, he says Hanover Re has been spared some of the worst calamities, such as claims on asbestos or pollution liability. It has also kept out of the over-crowded London and Singapore reinsurance markets. However, it is raising its presence in Asia and Australia, where growth is high.

The company has no acquisitions in mind after buying NRG Victory Australia Life Reinsurance last year.

Hanover Re will use its DM230m share of the issue proceeds to lift its 4 per cent stake in Eisen und Stahl, with which it does business on a group basis, to a 53.9 per cent majority holding. The remainder will go to its parent, Haftpflichtverband der Deutschen Industrie (HDI), a mutually-owned insurer.

Czechoslovak Airlines seeks local investor

By Vincent Boland in Prague

Czechoslovak Airlines is about to enter talks with Czech financial institutions that could lead to a new shareholder injecting fresh capital into the loss-making carrier.

The move follows the withdrawal of Air France from an investment in CSA in March.

The new investor is likely to acquire part or all of the 49 per cent stake in CSA held by the Czech National Property Fund, the government body that owns shares in companies being privatised.

Mr František Slabý, CSA's executive vice-president for finance and planning, said the airline had abandoned its search for a single strategic partner to replace Air France, and was seeking an alliance with a local investor.

"There are [Czech] institutions able and willing to be financial partners of CSA," he said. "The partner would be from the financial sector but not necessarily a bank."

Mr Slabý declined to say who the potential local investors might be. However, one local institution likely to be approached is Ceská Pojišt'ovna, the largest Czech insurance company, which has a 4.5 per cent stake in CSA.

The Consolidation Bank, the state-owned "hospital bank" that manages much of the bad debt of newly-privatised Czech companies, and which holds the 19.1 per cent stake in CSA formerly held by Air France, could also be considered.

INTERNATIONAL COMPANIES AND FINANCE

NEWS DIGEST

Cost-cutting spurs Austrian utility at pre-tax level

Energie-Versorgung Niederösterreicb (EVN), a leading Austrian energy utility, lifted pre-tax profits by 20.6 per cent to Sch1.08bn ($100.3m) in the year to August 31 1994, mainly because of cost-cutting, writes Ian Rodger in Zurich.

Revenues of tbe company, 49 per cent of which has been privatised, advanced only 2.1 per cent to Sch10.5bn, reflecting the negative impact of warmer temperatures on energy sales. Also, gas sales declined because high rainfall enabled local utilities to buy or generate more of their needs from bydro sources.

Revenues from electricity sales were up 1.9 per cent to Sch7.1bn, while gas sales eased 0.9 per cent to Sch2.89bn. Heating sales jumped 32.9 per cent to Sch97m, due to the takeover of heating services for the city of Baden and other extraordinary factors.

EVN attributed the surge in pre-tax profits to increased volumes, improvements in energy efficiency and strict cost management. The average number of full-time employees in the year dropped 5.7 per cent to 2,884.

The company has agreed further contacts with electricity and gas utilities in the Czech Republic, Slovakia and Hungary, and has declared its interest in acquiring stakes wben they are privatised.

Assuming that strong economic growth continued in the company's operating territory of Lower Austria, the outlook for next year's earnings was "promising", the company said.

JR West listing decision this week

Japan's transport ministry will decide this week whether to go ahead with the listing of West Japan Railway (JR West) as originally planned, Reuter reports from Tokyo.

The government is considering whether to list JR West on Japan's stock exchanges before the end of the current fiscal year next March, transport vice-minister Mr Michihiko Matsuo was quoted by a ministry spokesman as telling a news conference.

"We are in a difficult situation, but we will make a decision soon, probably by the end of this week," Mr Matsuo was quoted as saying.

JR West applied in August to be listed on six Japanese exchanges, including the Tokyo Stock Exchanga and Osaka Securities Exchange.

Most stock market participants expect the JR West listing to be postponed following the unsuccessful October 27 listing of another government entity, Japan Tobacco.

Japan Tobacco was offered to the public at Y1.44m, but failed to close above its initial offering price on its first trading day. It has continued falling since then and ended at Y961,000 on Monday.

Minorco wins battle for Lisheen project

A bitter battle for control of the Lisheen project in County Tipperary, Ireland, the second-largest zinc-lead deposit in Europe, has ended in victory for Minorco, the overseas investment arm of the Anglo American-De Beers group of South Africa, and Ivernia West, a junior Irish company, writes Kenneth Gooding.

Minorco has paid Ivernia $77m to acquire 50 per cent and management control of Lisheen. Ivernia immediately beforehand paid $77m cash to Chevron to buy the US oil group's 52.5 per cent stake. Ivernia says it thereby has lifted its share of the Lisheen project by 2.5 per cent, to 50 per cent, at no net cost to itself.

The struggle for Lisheen developed because Chevron in 1992 agreed to sell its controlling stake to Lac Minerals of Canada. Ivernia claimed to have pre-emptive rights over Chevron's shareholding.

But this claim had to be tested in the Irisb High Court which in September ruled in Ivernia's favour.

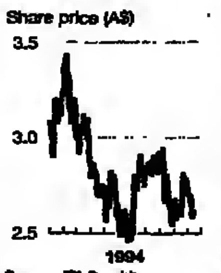
Lisheen is expected to have a life of 13 to 15 years producing an annual 155,000 tonnes of zinc, at a relatively low cash cost of 30 cents a lb. Capital expenditure is estimated at US$184m and start-up is scheduled for early 1997.

Minorco owns 24.5 per cent of Ivernia, as does Outokumpu, the Finnish resources group.

News Corp 'lifts stake' in John Fairfax

John Fairfax

Share price (A$)



Source: FT Graphite

Mr Rupert Murdocb's global media group, has lifted its stake in John Fairfax Holdings to about 3 per cent, according to an article in the Fairfax-owned Australian Financial Review newspaper, Renter reports from Sydney. The Financial Review said News Corp was understood to bave bought 7.3m sbares, representing about 1 per cent of Fairfax, earlier this montb for A$23m (US$17.3m).

In July, News Corp revealed it had bought a stake in Australia's oldest newspaper publisher. The total stake is below the 5 per cent substantial shareholder notice that has to be lodged with the Australian Stock Exchange.

Fairfax is 15 per cent owned by Mr Kerry Packer's Publishing and Broadcasting and 25 per cent by Mr Conrad Black's The Telegrapb group in the UK.

Growth at Portuguese telecoms operators

Companhia Portuguesa Radio Marconi, Portugal's intercontinental telecommunications operator, posted a 52.2 per cent increase in net profits to Es4.72bo ($37.2m) for the first nine months of 1994 compared with the same period last year, writes Peter Wise in Lisbon.

Marconi, which is 51 per cent state-owned, attributed the rise to the beneficial effects of tariff reductions, cost-cutting and returns on international investments.

Meanwhile, Portngal Telecom (PT), tbe state-owned global operator formed from a merger of three companies in July, reported a a first-half net profit of Es8.1bn on a turnover of Es155.9bn.

Marconi is to be integrated into PT by the end of the year, before the partial privation of the new group in 1995. The government has not yet made clear bow Marconi's private sbareholders, mainly US and UK institutional Investors, are to be compensated.

Options at Warburg

Liffe has announced that S.G. Warburg has been approved to make a market in equity options, bringing to 11 the total number of market makers at the exchange, writes Richard Lapper in London.

Warburg will today begin making a market in 36 equity options. It will operate as an "assigned market maker", in which it is committed to a continual presence in the pit for the purpose of making and updating two-way prices in 16 equity options.

Fujitsu and Sharp in multimedia alliance

By Michiyo Nakamoto in Tokyo and Alan Cane in London

Fujitsu, Japan's largest manufacturer of computers, and Sharp, the consumer electronics maker, yesterday announced an alliance to develop new products based on mobile communications, information processing and imaging.

The move comes as Japan's electronics industry is beginning to position itself for the emerging market for products which transcend the traditional boundaries of computing, telecommunications and consumer electronics.

The so-called multimedia market is expected to grow rapidly over the next few years, providing new product possibilities for consumer electronics companies finding it difficult to sustain a flow of new ideas and for computer manufacturers hit by falling profit margins.

The first development by Fujitsu and Sharp will be a mobile telecommunications system allowing users of "Zaurus", a band-beld computer made by Sharp, to tap into, and extract information from, a data network operated by Fujitsu.

The two companies said they would be working on ways to ensure their products could be connected: "We will work together to develop advanced technologies in devices and interfaces that can become industry standards."

The alliance brings together two companies with recognised strengths in areas expected to be crucial to the development of advanced multimedia products. Fujitsu is a leader in information processing and communications systems technologies.

Sharp, for its part, has become dominant in liquid crystal display panels, and has axperience in new personal information tools aoftware through its agreement with Apple to manufacture the US company's personal digital assistant.

Fujitsu could learn from Sharp's speed of development and its ability to bring out hit products, said Mr Mikio Obtsuki, Fujitsu vice-president. Fujitsu has been attempting to move increasingly into the consumer market with the launch last year of a multimedia machine whicb confers tbe capabilities of a personal computer on an ordinary TV.

Fujitsn already provides Sharp witb semiconductors while Sharp supplies Fujitsu with liquid crystal display panels. However, the two companies have no plans to co-operate in these fields.

Barlow improves on forecasts by boosting net profits 47.8%

By Mark Suzman in Johannesburg

Barlow Limited, tha rump of South African conglomerate Barlow Rand, which was unbundled last year, bas improved on initial forecasts by reporting after-tax profit of R412.4m ($117m) for the year ended September, a rise of 47.8 per cent from the pro forma figures of R279m for the previous year.

In spite of the sale of several businesses during the year, especially in its troubled offshore subsidiary, UK-based J. Bibby & Sons, turnover rose to R12.87bn, up from R11.76bn previously.

Operating profit rose by 72.6 per cent to R405.2m from R234.8m while interest paid dropped to R178.3m from R230.8m.

The group's balance sheet remains sound, with the debt/equity ratio st a comfortable 13.4 per cent and cash in hand of some R707m.

Barlow'a successful launeb of a $75m international bond issue also testified to the company's growing international profile.

Mr Warren Clewlow, chairman, said the results reflected a stronger mangement focus in tbe reconstituted group. He noted that Barlow bad also benefited from the upturn in the domestic trading environment during the second half of the year following the South African elections in April.

The largest contributor to earnings was Pretoria Portland Cement, which benefited from increased demand for cement and lime products.

Both PPC and construction subsidiary Federated-Blaikie, which also improved in the second balf, are expected to achieve higher volumes over the coming year as a result of the government's large-scale, housing programme.

At the same time, increased demand for earthmoving equipment helped Barlows Equipment to boost earnings while paint division Plascon also performed satisfactorily. But Barlows Consumer Electric Products continued to suffer from a depressed consumer appliance market, and J. Bibby's improved bottom line came only after a major restructuring, involving the sale of non-core assets to offset beavy losses in operations in Spain and Portugal.

Mr Clewlow predicted that the coming year would see a continued improvement in group earnings given tha reduction in overseas borrowings and the group's appointment as Caterpillar dealer in four additional African countries.

Air NZ expects to top 37% gain in earnings

By Terry Hall in Wellington

Air New Zealand expecta profits for the current year to exceed comfortably the 37 per cent rise in tax-paid earnings to NZ$190m (US$118m) achieved in the 12 months to last June, Mr Bob Mattbew, chairman, told yesterday's annual meeting in Wellington.

He said the company expected to expand its international passenger capacity by more than 16 per cent this financial year. This would primarily stem from the introduction of new non-stop services between Los Angeles and Sydney en route to New Zealand, and new links from Brisbane to the new Japanese airport, Kansai.

Mr Matthew criticised Canberra for this month's decision to suspend unilaterally the single market aviation agreement with New Zealand, one week before Air New Zealand was due to have started domestic services within Australia.

He said Australian travellers should not "buy their government's outrageous proposition" that either Air New Zealand or its government was to blame for the collapse of the agreement, whicb would bave brought downward pressures on Australian air fares.

Mr Matthew added that both airline and government had maintained an unprovocative stance "througbout tbis remarkable sequence of events", in spite of Australian initiatives to angle the competitive environment in favour of Ansett and Qantas, the Australian carriers.

"Matters must be put right if Air New Zealand is not to find itself commercially disadvantaged," he said. "We hope we will not need to seek recourse by way of the various remedies available to us under the original agreement to which both governments are signatories."

INTERNATIONAL COMPANIES AND FINANCE

Boral wins go-ahead for executive share plan

By Nikki Tait in Sydney

Shareholders in Boral, the large Australian building products company, yesterday forced a poll on two elements of its controversial executive share plan.

Although both proposals were subsequently approved by large margins at the annual meeting in Sydney, the shareholder action demonstrated simmering unease among some investors at the proliferation of more generous forms of executive remuneration.

Shareholders have expressed fears that the country could be about to adopt US-style reward schemes, while analysts have suggested that – at least in some instances – the conditions designed to give executives incentives through share-based remuneration packages are being made tco easy.

The first proposal represented an amendment to Boral's executive share plan, allowing the company to pay up to 1 per cent of operating profit before abnormals and tax into a trust, which could be used to acquire shares on behalf of executives.

The second concerned the purchase and allocation of shares worth A$225,863 (US$167,306) to Mr Tony Berg, who became managing director of Boral in January. Mr Berg was formerly managing director of Macquarie Bank, the Sydney-basad investment bank.

Mr Berg's service agreement states that performance incentives and certain entitlement in lieu of superannuation are paid to the executive share plan, and used to buy Boral shares. The permission was sought in relation to incentives/superannuation earned in the period to end-June.

Opponents of the motions outvoted supporters at the meeting itself. But both proposals were carried in a poll, with more than 95 per cent of votes in favour.

At the meeting, shareholders were told that first-quarter results showed "a healthy increase" in both sales and profits, and that the full year should be "a good one".

Telco ahead at Rs562.8m on record sales and output

By Shiraz Sidhva in New Delhi

Tata Engineering and Locomotive Company (Telco), India's leading commercial vehicle maker, saw operating profit in the six months to end-September almost double to Rs2.24bn ($71.3m) from Rs1.12bn a year earlier.

Net profit for the period advanced to Rs562.8m from Rs301m.

Telco said market conditions during the first half of the year had improved significantly since last year.

The company said it had achieved record levels of production and sales.

The sustsined recovery in demand for the automotive sector had pushed up vehicle sales to 53,391 units from 37,507 vehicles last year.

Vehicle production increased to 57,318 vehicles from 25,197 in the same period last year.

Cheaper borrowing should also have a positive impact on the company's performance for the rest of the year.

Meanwhile, Tata Iron and Steel, the flagship company of the Bombay-based Tata group, said operating profit for the same period rose by 40 per cent to Rs3.06bn.

This was achieved as a result of a richer product mix and improved control over costs. Net profits of Rs868.1m compared with Rs46.3m in the corresponding period last year.

Analysts said that although the increase was sharp it was below expectations. Domestic demand for steel was buoyant, reflecting an increase in domestic sales of 33 per cent, to 758,000 tonnes.

Exports almost halved to 155,000 tonnes from 308,000 tonnes, forcing Tisco to concentrate on the home market, and raising its domestic share to 14 per cent from 11 per cent last year.

Overall production increased by 9 per cent to 1.08m tonnes from 994,690 tonnes last year.

The company said results would improva later this year with the near completion of its modernisation programme.

Initial losses in the company's cement unit, which started operations in March, had an adverse effect on the half-year results.

Japanese developers hit by lower rental rates

By Emiko Terazono in Tokyo

Property

Japan's leading property developers were hit by declining office rental rates and a fall in interest income in the first six months of the fiscal year.

Mitsui Fudosan saw a 50 per cent plunge in recurring profits – before extraordinary items and tax – to Y4.7bn ($48.2m) due to a sharp narrowing of profit margins because of a cut in office rents and a rise in expenses stemming from sales of luxury houses.

Sales fell 0.3 per cent to Y342.5bn and after-tax profits dropped 43.6 per cent to Y4.2bn. Product related costs were equivalent to 87.7 per cent of income.

In the second half, the company expects to post extraordinary losses of Y80bn related to aid to its finance subsidiary, but it added that the losses would be covered by profits from shareholdings.

For the full year to March, recurring profits are expected to fall 26.8 per cent to Y12bn on an 8.2 per cent decline in sales to Y730bn.

Mitsnbishi Estate said interim recurring profits fell 4.3 per cent to Y29.6bn while sales rose 12.3 per cent to Y229.5bn due to its new buildings in Tokyo and Yokohama. After-tax profits rose 18.3 per cent to Y21.5bn.

For the full year to March, the company expects recurring profits to decline 26.2 per cent to Y35bn on a 4.6 per cent fall in sales to Y420bn.

Suzuki Motor lifts forecast to Y23.5bn

Suzuki Motor, Japan's largest producer of minicars and the world's third-largest manufacturer of motorcycles, expects parent operating profit to reach Y23.5bn ($24.1m) in the year to March 1995, up from its May forecast of Y21.50bn, the company's vice-president, Mr Yoshio Saito, said yesterday, Renter reports from Tokyo.

Operating profit totalled Y21.84bn in 1993-94.

The revision was based on higher-than-expected sales of the minivan-type 660cc Wagon R, and cost-cutting efforts in the first six months to September.

Suzuki, which is 3.4 per cent owned by US carmaker General Motors, announced first-half parent operating profit of Y14.76bn, up 21.8 per cent from a year earlier.

The six-month operating profit was a record for Suzuki, surpassing the previous high of Y13.79bn in the first half of 1992-93.

However, projected full-year operating profit would not match the record of Y24.61bn in 1990-91, Mr Saito said.

Suzuki revised its forecast for 1994-95 depreciation costs to Y47bn from a May prediction of Y45.30bn, compared with Y51.80bn in 1993-94.

It left its forecast of capital investment unchanged from a May forecast of Y30bn, against Y34.20bn a year earlier.

Thai bank posts sharp advance at nine months

Thailand's Bangkok Bank of Commerce, a medium-sized commercial bank, yesterday announced that net profit for the first nine months had jumped 144 per cent to Bt384.1m ($15.4m), AP-DJ reports from Bangkok.

At the same stage last year the bank had net profit of Bt157.7m.

Earnings per share advanced 106 per cent to Bt1.03 from Bt0.50.

● Thai Insurance, an affiliate of Thai Danu Bank, said its net profit fell 5.1 per cent to Bt10.1m in the third quarter from Bt10.6m a year earlier.

Earnings per share were 4.9 per cent lower at Bt2.52, compared with Bt2.65 last year.

Sony Music wary after first-half drop

Sony Music Entertainment (Japan) is cautious on future earnings after it posted a drop in both parent and group earnings in the first half, Reuter reports from Tokyo.

Foreign exchange market instability and cuts in capital investment in Japan were cancelling out rises in consumer spending and a bottoming-out in corporate earnings, it said.

In the six months to September, Sony Music, which is 71 per cent owned by the consumer electronics group Sony Corp, reported a 5 per cent fall in parent recurring profits – before extraordinary items and tax – to Y9.41bn ($96.5m).

Group recurring profits in the six months were Y10.61bn, down 16.4 per cent. But for the full year to March 1995, Sony Music forecast parent recurring profits of Y20.3bn against Y19.84bn a year earlier, and group recurring profits of Y23bn against Y25.8bn

For the parent company, new releases by top Japanese and overseas artists is likely to boost earnings. But the higher-than-expected cost of setting up two record companies this year and falling sales at a sports goods subsidiary will hit group earnings.

A decline in sales of Japanese-language racords and earnings from financial investments as well as a rise in the company's tax bill hurt first-half earnings.

All of these securities having been sold, this announcement appears as a matter of record only.

November 1994

35,700,000 Shares

OfficeMax®

Common Shares

6,500,000 Shares

The above shares were offered outside the United States and Canada by the undersigned.

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Barclays de Zoete Wedd Limited · Cazenove & Co. · Credit Lyonnais Securities · Deutsche Bank Aktiengesellschaft · Indosuez Capital
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Paribas Capital Markets · N M Rothschild and Smith New Court · Société Générale · Sumitomo Finance International Plc · UBS Limited

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29,200,000 Shares

The above shares were offered in the United States and Canada by the undersigned.

Donaldson, Lufkin & Jenrette Securities Corporation

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First Southwest Company · Furman Selz Incorporated · Gruntal & Co., Incorporated · Interstate/Johnson Lane Corporation · Janney Montgomery Scott Inc.
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INTERNATIONAL CAPITAL MARKETS

Treasuries edge higher ahead of Fed meeting

By Lisa Bransten in New York and Martin Brice in London

US Treasury prices adged higher yesterday morning following a rising dollar, but the rallying curreocy failed to spark a large increase in bond prices as traders waited for news of interest rate policy to emerge from today's meeting of the Federal Reserve'a open market committee.

By midday, the benchmark 30-year government bond was up 1/32 at 92 27/32, yielding 8.126 per cent. At the short end, the two-year note was up 1/32 at 99 21/32, to yield 7.046 per cent.

The dollar made strong gains against the Japanese yen and the D-Mark early yesterday morning, rising nearly a full yen to Y98.34 and more than a pfennig to DM1.5437.

However, the market was more interested in today's Federal Reserve meeting. A majority of traders and market analysts expect the Fed to lift the target federal funds rate by 50 basis points to 5¾ per cent et the meeting, and most say that such an increase has already been factored into the markets.

Inaction by the Fed could cause prices to tumble, while an increase of 50 or more basis points should cheer the market, which is looking for signs that the central bank is committed to taking a tough stance against inflation. Some fear, howevsr, that a 50-point increase could disappoint the market.

In addition to word from the Fed on interest rates, traders will take note of a series of other economic statistics due today, including figures on October'e retail sales, industrial production and capacity utilisation.

Most analysts axpect both retail sales and industrial production to be up 0.5 per cent;

GOVERNMENT BONDS

capacity utilisation – the amount of capital stock being used to produce goods – is anticipated to be 84.8 per cent.

■ European government bond markats followed US Treasuries slightly higher yesterday, with most investors staying on the sidelines, waiting for the impact on US interest rates of today's Federal Reserve meeting.

■ German government bonds edged up in the wake of Treasuries, and the December bund futures contract ended at 90.22, up 0.15 on the day.

Mr Paul Compayne, bond stretegist et Paribas Capital Markets, said: "We are seeing most of the markets being cautious ahead of the FOMC meeting. That meeting will determine where markets will go over the next few weeks."

He added that most participants were already discounting a 50 basis point rise in US interest rates, saying: "If there is no Fed action as a result of the meeting, then markets will sell off."

■ The UK government bonds market remained nervous ahead of the FOMC meeting and a raft of UK data to be published tomorrow. However, gilts prices were lifted by the rise in US Treasuries and a rumour that the CBI distributive trades survey, which is due to be published today, would show that the recovery is faltering.

Analysts were digesting the suggestion that the balance of UK retailers who had seen a rise in sales in the past year had fallen to a negative 3 per cent from a positive figure of 28 per cent.

■ Swedish bonds put in a strong performance on the back of the "yes" vote in the European Union referendum, with the yield on the benchmark 11-year bond falling 23 basis points to 10.88 per cent. On Thursday last week it was yielding 11.43 per cent.

Mr Paul Donovan at UBS said that the Swedish vote was likely to support other Scandinavian bond markets, with Norwegian bonds strengthening on prospects for its entry after the vote on November 28 and Danish bonds benefiting from international capital inflows to the Scandinavian bloc.

He added that the possibility of a downgrade of Sweden's credit rating by Moody's Investors Service, the US credit rating agency, remained a threat but that fiscal tightening might avert this.

He said: "There is a perception that EU membership will provide an external fiscal constraint on the government. Investors will now look for further fiscal tightening through spending cuts."

First closure of Peregrine fund

By Richard Lapper

Peregrine Investments Holdings, the Hong Kong-based investment bank, yesterday announced the "first closure" at $500m of its Asian Infrastructure Fund and gave details of its investments.

The fund, which was launched earlier this year, will invest in Asian telecommunications, transport and power plants, underlining a growing trend towards private financing of infrastructure, especially in the emerging markets.

It has already raised some $590m. is well on track to meet a target of $1bn by the time of its final closure next year and should eventually match in size the AIG Asian Infrastructure Fund, which closed in June with $1,086m committed.

Peregrine's fund is co-sponsored by Frank Russell Company, the Intsrnational Finance Corporation, the Asian Development Bank and investors associated with Mr George Soros' Quantum Fund.

Its advisory board is chaired by Mr Gordon Wu, the Hong Kong entrepreneur who runs Hopewell Holdings, the property and infrastructure conglomerate.

Three of the fund'a initial investments are in Consolidated Electric Power Asia companies, a group controlled by Hopewell, with $50m each to be channelled to CEPA units in Indonesia, Pakistan and India.

The fund has also committed to four other projects: an initial $26m in a 108km four-lane toll road linking Chengdu in Sichuan with Mianyang; up to $50m in a telecommunications project providing broad band digital transmissions between Europe and east Asia; and up to $75m in a 235mW combined cycle power station in Andhra Pradesh, in India.

The utilities in which the fund is investing offer "stable and predictable cashflows, but because these economies are growing so quickly they do have the characteristics of growth stocks," pointed out Mr Philip Tose, chairman of Peregrine.

EIB finds firm retail demand for $200m of four-year paper

By Graham Bowley

With the market occupied by the outcome of today's US FOMC meeting, there were only a few small-sized new eurobond issues yesterday, aimed mainly at retail investors.

Attention this week is likely to be focused on the Republic of Italy'a Y400bn three-tranche offering of bonds, of three-, 10- and 20-year maturities, expected to be launched mid-week.

In the dollar sector, the European Investment Bank launched a $200m offering of four-year paper priced to yield seven basis points over US government bonds.

Syndicate managers said that the offering was expensive compared with existing four-year paper, such as the EIB July 1998 which is currently trading in the secondary market at around 17 basis points over the yield curve.

However, lead manager ABN Amro reported firm demand from retail investors in Switzerland and the Benelux countries. The proceeds were swapped into floating-rate pesetas, market sources said.

INTERNATIONAL BONDS

In the yao sector, INI Finance launched a Y30bn issuer of five-year bonds targeted mainly at Jepanese institutional investors. The bonds offered a spread of 29 basis points over Japanese government bonds.

After completing a series of roadshows in Asia, Germany's Bayerische Landesbank is poised to launch either a dragon bond or eurobond, Lehman Brothers said. Lehman has been mandated to lead a deal of up to $500m, although the exact terms will depend on market conditions following the FOMC meeting, syndicate officials said.

The Australian and Canadian dollar sectors saw continued activity yesterday.

New South Wales Treasury Corporation launched a A$100m offering of three-year bonds, which were sold mainly to Japanese retail investors, lead manager Nomura said.

Nomura said it was promoting Australian dollar debt to Japanese investors. The coupon of 4.5 per cent offared particularly good value compared with three-year Japanese bank deposits, which currently offer 2 per cent, it said.

Rabobank Nederland launched e C$125m offering of six-year bonds priced to yield 11 basis points over Canadian government bonds.

Lead manager Wood Gundy expects most of the bonds to be taken up by Swiss and Benelux retail investors. The proceeds were swapped into floating rate US dollars, sources said.

J.P. Morgan led a multi-currency offering of collateralised two-year floating-rate notes denomioated in dollars, D-Marks and Swiss francs, for SMM and reported demand from investors across Europe. There is strong demand for floating-rate D-Mark assets in particular, an official said.

Ceske Energeticke Zavody (CEZ), a Czech power utility, is said to be planning a debut $100m to $150m eurobond, in a deal lead-managed by J.P. Morgan. CEZ, the largest company listed on the Czech stock exchange, is rated BBB- by Standard & Poor's.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
European Investment Bank	200	7.75	99.95R	Dec.1998	0.225R	+7(i)	ABN Amro Bank
SMM & Co, Tranche 1‡	47	(a1)	100.00	Nov.1996	undiscl.	-	JP Morgan Securities
SMM & Co, Neths, Tranche 1‡	122	(a1)	100.00	Nov.1996	undiscl.	-	JP Morgan Securities
YEN							
INI Finance★	30bn	4.50	99.95R	Dec.1999	0.25R	+29(4.9%-99)	Merrill Lynch International
Daiwa Intl. Finance(s)★	10bn	5.00	100.00	Mar.2005	undiscl.	-	Nomura International
Daiwa Intl. Finance(b,s)★	10bn	(b1)	100.00	Mar.2005	undiscl.	-	Nomura International
D-MARKS							
SMM & Co, Tranche 2‡	205	(a2)	100.00	Nov.1996	undiscl.	-	JP Morgan
SMM & Co, Neths, Tranche 2‡	280	(a2)	100.00	Nov.1996	undiscl.	-	JP Morgan
CANADIAN DOLLARS							
Rabobank Nederland	125	9.00	99.783R	Dec.2000	0.275R	+11(8½%-00)	Wood Gundy
AUSTRALIAN DOLLARS							
New Sth.Wales Treasury Corp.★	100	4.50#	87.823	Nov.1997	1.375	-	Nomura International
SWISS FRANCS							
Südwestdeutsche Landesbank	150	5.375	102.30	Dec.1997	1.50	-	UBS
SMM & Co, Tranche 3‡	50	(a2)	100.00	Nov.1996	undiscl.	-	JP Morgan Suisse
SMM & Co, Neths, Tranche 3‡	250	(a2)	100.00	Nov.1996	undiscl.	-	JP Morgan Suisse

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ★Unlisted. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a1) 3-mth Libor +⅛%. a2) 3-mth Libor +15bp. b) Callable on 17/3/00 at par. b1) 5% to 17/3/00 and 5.3% thereafter. i) Over interpolated yield. s) Short 1st coupon.

EVC offering priced

By Martin Brice

The global offering of stock in EVC, Europe's leading manufacturer of polyvinyl chloride, has been priced at Fl 77 per share, valuing the whole company at Fl 1.13bn ($650m).

The price is at the higher end of the Fl 70 to Fl 80 range indicated during the offering, which includes a retail tranche that starts today in the Netherlands and closes at 3pm on Thursday. Allocations will be announced on Friday and settlement date is November 28.

Shares in EVC, a Dutch-based joint venture owned by ICI of the UK and Enichem of Italy, will be listed on the Amsterdam Stock Exchange and trading will atart on November 21.

A spokesman for S.G. Warburg, the UK merchant bank and joint global co-ordinator for the offering, said: "We are very pleased with the way it has gone. There was a tremendous response to the company."

The offering was notable in that Greenpeace, the international environmental group, criticised research on EVC, suggesting that it overvalued the company and failed to warn potential investors of environmental risks.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	90.1200	-	10.64	10.71	10.10
Belgium		7.750	10/04	96.5300	+0.090	8.27	8.48	8.24
Canada *		6.500	06/04	83.3500	+0.300	9.16	9.26	8.03
Denmark		7.000	12/04	88.4200	+0.720	8.78	9.02	8.68
France	BTAN	5.000	05/98	101.4400	-0.430	7.47	7.58	7.48
	OAT	6.750	10/04	90.6100	-0.150	8.18	8.29	8.02
Germany Bund		7.500	11/04	100.2900	+0.200	7.46	7.66	7.34
Italy		8.500	08/04	82.4300	+0.320	11.55†	12.00	11.68
Japan	No 119	4.800	06/99	102.9480	-0.060	4.04	4.10	4.01
Japan	No 164	4.100	12/03	95.9320	-0.300	4.74	4.74	4.70
Netherlands		7.250	10/04	98.1000	+0.220	7.53	7.66	7.28
Spain		8.000	05/04	81.6700	+0.260	11.21	11.37	10.92
UK Gilts		6.000	08/99	90-13	+4/32	8.49	8.59	8.32
		8.750	11/04	97-21	+11/32	8.61	8.73	8.47
		9.000	10/08	102-31	+6/32	8.63	8.70	8.46
US Treasury *		7.875	11/04	99-11	+6/32	7.97	8.03	7.62
		7.500	11/24	92-30	+6/32	8.13	8.18	7.85
ECU (French Govt)		6.000	04/04	83.9600	+0.020	8.54	8.67	8.41

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime		Treasury Bills and Bond Yields			
		One month	5.59	Two year	7.08
Prime rate	7¾	Two month	5.40	Three year	7.40
Broker loan rate	6½	Three month	5.37	Five year	7.70
Fed.funds	5⅛	Six month	5.90	10-year	7.98
Fed.funds at intervention	-	One year	6.50	30-year	8.15

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	111.00	111.02	-0.12	111.12	110.74	92,960	129,781
Mar	110.15	110.20	-0.12	110.26	109.94	2,434	15,926
Jun	109.34	109.36	-0.12	109.34	109.10	607	2,984

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Nov	PUTS Dec	PUTS Mar
110	1.23	1.74	-	0.21	1.54	-
111	0.56	-	-	0.53	2.09	-
112	0.20	0.86	-	1.20	-	-
113	0.05	0.55	0.86	-	3.37	-
114	0.01	0.32	-	-	-	-

Est. vol. total, Calls 22,654 Puts 23,799 . Previous day's open int., Calls 311,388 Puts 283,317.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	90.15	90.28	+0.21	90.42	90.10	98065	182009
Mar	89.42	89.36	+0.23	89.42	89.20	5751	26940

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Dec	PUTS Jan	PUTS Feb	PUTS Mar
9000	0.64	0.59	0.86	1.02	0.36	1.23	1.50	1.66
9050	0.39	0.41	0.66	0.82	0.61	1.55	1.80	1.96
9100	0.21	0.28	0.50	0.65	0.93	1.92	2.14	2.29

Est. vol. total, Calls 15424 Puts 12778. Previous day's open int., Calls 287920 Puts 235436

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	101.53	101.83	+0.38	101.74	101.48	20752	54110
Mar	100.50	100.68	+0.54	100.68	100.40	1397	9564

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Dec	CALLS Mar	PUTS Dec	PUTS Mar
10150	0.63	1.85	0.50	2.69
10200	0.38	1.59	0.75	2.93
10250	0.20	1.45	1.07	3.29

Est. vol. total, Calls 1992 Puts 1914. Previous day's open int., Calls 28149 Puts 32702

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	87.05	87.10	+0.28	87.10	86.92	17,801	78,471
Mar	86.20	86.28	+0.02	86.22	86.20	627	2,280

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	101-18	101-23	+0-12	101-28	101-02	36293	101914
Mar	100-22	100-29	+0-12	100-23	100-21	2040	4069

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Dec	CALLS Mar	PUTS Dec	PUTS Mar
101	1-03	1-61	0-21	2-03
102	0-30	1-30	0-48	2-36
103	0-09	1-06	1-27	3-12

Est. vol. total, Calls 5719 Puts 1817. Previous day's open int., Calls 83890 Puts 49178

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	80.98	81.00	+0.02	81.10	80.78	1,809	6,395

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	96-02	96-19	+0-17	96-19	96-02	91,529	396,159
Mar	95-17	95-31	+0-17	95-31	95-17	5,497	49,353
Jun	95-05	95-09	+0-17	95-11	95-04	44	11,741

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	107.78			107.75	107.68	1124	0
Mar	107.06			107.06	106.97	924	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Mon Nov 14	Day's change %	Fri Nov 11	Accrued interest	xd adj. ytd		Low coupon yield Nov 14	Nov 11	Yr. ago	Medium coupon yield Nov 14	Nov 11	Yr. ago	High coupon yield Nov 14	Nov 11	Yr. ago
1 Up to 5 years (24)	119.63	+0.02	119.61	1.78	9.89	5 yrs	8.57	8.60	6.08	8.62	8.66	6.32	8.77	8.79	6.45
2 5-15 years (23)	139.12	+0.28	138.73	1.68	11.48	15 yrs	8.53	8.57	6.97	8.65	8.68	7.10	8.88	8.93	7.30
3 Over 15 years (8)	155.50	+0.20	155.15	2.56	10.87	20 yrs	8.51	8.53	7.07	8.65	8.66	7.14	8.82	8.84	7.32
4 Irredeemables (6)	175.37	+0.36	174.75	0.58	13.47	Irred.†	8.57	8.59	7.20						
5 All stocks (61)	136.47	+0.15	136.22	1.87	10.93										

Index-linked							Inflation 5% Nov 14	Nov 11	Yr. ago	Inflation 10% Nov 14	Nov 11	Yr. ago
6 Up to 5 years (2)	186.07	+0.08	185.92	0.59	5.07	Up to 5 yrs	4.09	4.12	2.32	2.99	3.01	1.66
7 Over 5 years (11)	173.62	+0.11	173.42	1.04	4.36	Over 5 yrs	3.87	3.88	3.14	3.70	3.70	2.98
8 All stocks (13)	174.03	+0.11	173.84	1.00	4.41							

Debentures and Loans						5 year yield Nov 14	Nov 11	Yr. ago	15 year yield Nov 14	Nov 11	Yr. ago	25 year yield Nov 14	Nov 11	Yr. ago
9 Debs & Loans (77)	127.08	+0.05	127.27	2.21	9.82	9.68	9.71	7.58	9.65	9.66	8.05	9.61	9.62	8.20

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Nov 14	Nov 11	Nov 10	Nov 9	Nov 8	Yr ago	High*	Low*
Govt. Secs. (UK)	91.22	91.03	91.45	91.39	90.89	103.84	107.04	89.54
Fixed Interest	107.86	107.92	107.94	107.69	107.59	124.15	133.87	106.50

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Nov 11	Nov 10	Nov 9	Nov 8	Nov 7
Gilt Edged bargains	80.3	81.8	84.0	80.4	79.6
5-day average	81.2	82.4	81.3	82.0	81.6

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on November 14

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	87⅞	87¾		8.65
Alberta Province 7⅝ 98	1000	96¾	99		8.00
Austria 8½ 98	400	101½	101⅞	-⅛	8.12
[illegible]					
United Kingdom 7⅛ 97	5500	101	101⅛		6.74
Volkswagen Intl Fin 7 03	1000	94¼	94⅝	+¼	7.94
World Bank 0 15	2000	20⅝	21		7.83
World Bank 5⅜ 03	3000	88½	88½	-⅛	7.69
[illegible]					
Abbey Natl Treasury 0 03 £	1000	91⅝	92	+⅛	8.48
Alliance Leics 11⅜ 97 £	100	105⅞	106¼		8.59
British Land 8⅞ 23 £	150	97¾	88⅛		10.48
[illegible]					

[illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

Shock horror.

Here, exactly as they were brought out of China, are three objects which have inflicted more pain and terror than you can ever imagine.

They are electric batons, smuggled out of the Chinese prison, where they were being used to torture prisoners.

The dirt on them is real.

The man who brought them out took a terrible risk. He was desperate to show the world what is happening in China's prisons.

The baton on the left is shaped for easy insertion into the body.

When the black button is thumbed, the three metal bands around the shaft become alive with electricity.

The chunky object looks like a curling tong, but when it touches you, there's a crackle of blue flame and a shock powerful enough to burn skin and damage internal organs.

It was made in the Jing Jiang Radio No. 4 Factory, in Jiangsu, one of many such works in China mass-producing electric truncheons, cattle-prods and other items, which they then proudly advertise in glossy brochures.

In Chengdu city, for instance, the Mensuo factory specialises in iron-ware: shackles, chains, handcuffs, thumb-cuffs and leg-irons.

Some of these gruesome objects are immensely heavy, others are ingeniously designed to cause the maximum pain.

This torturer's toolkit is used daily in China's prisons to punish those who have called for the democratic freedoms we often take for granted.

The torture of Liu Gang.

Liu Gang is a Physics graduate student from Beijing who took part in the 1989 pro-democracy demonstrations in Tiananmen Square.

One of the 21 'Most Wanted' students in China, he was jailed in 1989 and later sentenced to six years imprisonment for 'counter-revolutionary' crimes.

Liu is what Amnesty calls a "prisoner of conscience", that is, someone locked up in prison for expressing his non-violent political views.

Not just imprisoned. In a letter smuggled out of China last year, Liu claims that he has been repeatedly tortured. The Chinese Government denies this, but no impartial investigation has ever taken place.

Its denial might carry more weight if the vicious tortures Liu Gang and other prisoners describe were in the slightest bit unusual, but, sadly, they are not.

A catalogue of horrors.

We now begin a catalogue of horrors that some people will find upsetting.

Please read it carefully. The information has come directly from prisoners who want the world to know what they are suffering. Often they have taken great risks to get the details out.

Liu Gang was one of 11 political prisoners held at Lingyuan No. 2 Labour-Reform Detachment in Liaoning province.

Their ordeal began when they angered the authorities by refusing to *admit* they were 'criminals'. Six were taken away to be tortured.

When the electric baton being used on Tang Yuanjuan ran out of power, the guard began kicking him with tough leather boots and broke two of his ribs.

Leng Wanbao remained silent when questioned, so they forced open his mouth and stuck the electric truncheon in.

Kong Xianfeng was attacked *in* a special way. The guards applied their electric batons simultaneously to *different* parts of his body and he started bleeding behind the ears.

When Liu Gang's turn came, they applied the electric batons to his genitals.

He was put in leg-irons weighing about 20 pounds - he wore these for several weeks.

Liu was also forced to sit without moving on a bench for as long as 12 hours a day - leaving his body in agony.

50,000 volts through a naked man.

On the second anniversary of the 1989 massacre in Beijing, a prisoner called Li Jie staged a one-day hunger strike in memory of those who had died in Tiananmen Square and elsewhere calling for democracy - many of them mown down by machine guns, some crushed by tanks.

He was *stripped* naked and dragged onto a stage where the prison's Brigade Commander shouted and blustered at him before applying a huge 50,000 volt electric baton to his inner thighs.

Two other guards gave him high voltage shocks to his head, neck, shoulders, armpits, chest, stomach and fingers.

Li Jie went into spasms and passed out.

'Su Qin carries a sword on his back.'

To complement their skill with electric batons, many Chinese prison guards are shackle experts.

They have invented several tortures with fancy names like: 'Bending three wheels', 'A string of bells', and 'Su Qin carries a sword on his back.'

In 'Su Qin', one arm is bent back over the shoulder, while the other is twisted behind the back.

The hands are pulled together and the wrists tightly shackled.

A prisoner manacled in this manner can be hoisted by his wrists and left hanging for hours, till he loses all feeling in his arms.

'Chain-shackling' is the science of cuffing a prisoner's hands and feet together.

One especially cruel method is as follows: find the smallest handcuff that fits the prisoner's wrist, then cram both wrist and ankle into it, using pliers and hammers to snap the cuff shut.

The pain of this torture is indescribable.

The prisoner reportedly screams *all* the time he or she remains shackled, until silenced by hoarseness.

Screaming, of course, can make matters worse, if it irritates the guards.

At Mian County Detention centre, in 1990, one young prisoner was left shackled this way for several days.

He screamed and wailed all day, and all night, so loudly and pitifully that no-one could get any sleep.

The shackles finally came off to reveal, apparently, rings around his wrists and ankles of red, rotting flesh.

'The old ox ploughing the land.'

In the same jail, Xie Baoquan and another prisoner were to be punished for fighting.

They were handcuffed back to back and a rope was tied around them. A group of prisoners was made to run with the rope, pulling them along.

One of the pair was able to crawl forward as fast as he could. Xie Baoquan was pulled along on his back over the rough concrete.

This activity, picturesquely called 'The old ox ploughing the land' continued until the concrete was covered with Xie's blood and his back was one massive wound from which the skin and flesh had been scraped.

He was put back into his cell without any medical treatment, his back left to suppurate.

Xie's cellmates covered his back with a cotton blanket which became soaked with pus from the wounds, and which filled the room with the stink of rotting flesh.

Forced to eat soap from a toilet.

Some prisoners were playing chess with pieces carved out of soap.

Spotted by a guard, they quickly threw the soap chessmen into their toilet bucket. The guard forced them to fish out every piece and eat it. In Gutsa Detention Centre, Lhasa, Laba Dunzhu, a young Tibetan who had taken part in a pro-independence protest was taken out into the prison yard and made to kneel.

A guard placed a boot on his neck and forced his face down into the filthy water of the latrine.

Meanwhile, others beat him.

Laba Dunzhu died of a ruptured spleen.

She woke to find herself dying.

In Seitru Detention Centre, also in Lhasa, 26 year old Sonam Dolkar was being questioned after having been arrested on suspicion of being a Tibetan independence sympathiser.

Tiring of her answers, her captors stripped her naked, wrapped electric wire around her and plugged it into the mains.

Sonam convulsed and passed out. When she regained consciousness, she was lying in the same room. Her skin had turned blue.

Often she was beaten with electric batons. Once, Sonam awoke to find that her body was covered in bruises and that two ribs were broken. They had hit her as she lay unconscious.

Like Liu Gang, she was kept in leg-irons for months. The torturers applied electric batons to her face and every part of her body, including inside her vagina.

Eventually, Sonam was vomiting and urinating blood daily.

We only know of her suffering because when she was moved to a police hospital, she managed to escape and flee to India.

You can do something to help.

If you're as upset by these things as we are - and we're sure you must be - there is something simple and effective you can do right here and now to help.

Join Amnesty.

Even in China, our voice is heard.

The stronger we are - and the more pressure we can bring to bear on the Chinese Government - the more likely it is that the torture will stop.

The more powerfully we tell the world of the horror in China's prisons, the more difficult it becomes for governments in the free world to turn a blind eye to the prisoners' plight.

This does work.

From other countries all over the world, we receive scores of letters every year from prisoners and ex-prisoners who have been helped by our campaigning. These include people who had been living in daily fear of torture or death.

For them, Amnesty's intervention has brought renewed hope and relief from pain.

Liu Gang is still in prison.

Years of torture had left him suffering from a prolapsed anus, haemorrhoids, psoriasis and heart and stomach trouble.

Although only 32 years old, his hair had started falling out.

Until just over a year ago, he had had no medical treatment and had been allowed only five baths in two years.

But since summer 1993, international pressure appears to have improved his situation.

His family have once again been permitted to visit him and they report that he seems to be in better health.

Earlier this year, foreign journalists were allowed to visit the prison where he is being held, but weren't permitted to talk to him.

A letter to each of us from Liu Gang.

Last year, Liu Gang managed to smuggle a letter out of prison. Here is an extract:

"Handcuffs and shackles won't frighten me. Electric batons won't silence me. Force-feeding and brain-washing won't affect me. Forced labour won't change me. Solitary confinement and torture won't ever terrify me. Regardless of what is done to me, I shall continue to use all peaceful and non-violent means at my disposal to fight against tyranny and abuse."

Liu faced his ordeal with such courage that his fellow prisoners called him 'The Iron Man'.

He and others have taken incredible risks to tell the world about their suffering.

Surely it's impossible that people who enjoy the very freedoms which they are denied, could learn about their suffering and do nothing to help.

We're not trying to point a finger at you - this means all of us.

Liu's letter to us all ends with these words: "I have no option but to fight with all my body and soul. Please don't let me down."

There's a coupon immediately below this sentence. Please use it now.

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Size the important ingredient

David Wighton on Johnson Matthey and Cookson's merger moves

In his last annual report, Mr David Davies, Johnson Matthey chairman, put it quite plainly: "Size is an important ingredient for a company with our ambitions. We aim to become a constituent member of the FT-SE 100."

Yesterday, the City was wondering whether sheer size was the main ingredient in its possible merger with Cookson.

Such a move would push the combined group well into the top 100 UK companies with a market value of about £2.5bn and annual sales of £3.5bn.

But analysts believe that, size apart, the rewards from putting the two together would be fairly modest.

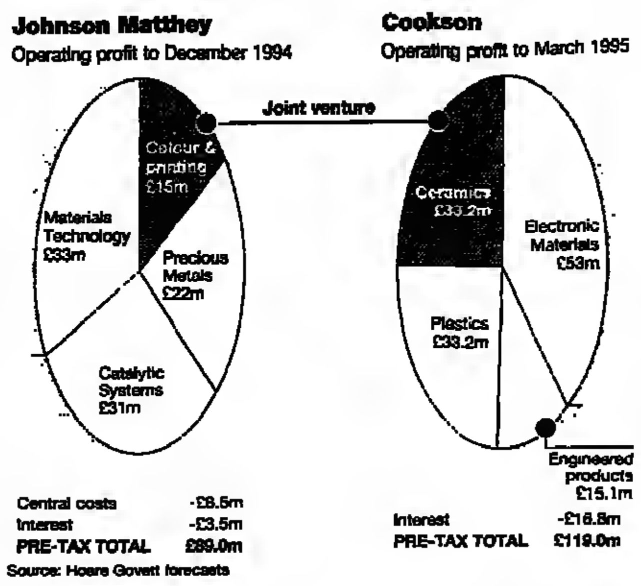
"Size brings some benefits in its own right but the merger is driven more by the ambitions of the managements than anything else," said one leading analyst.

Such sceptical views were encouraged by the companies' decision not to elaborate publicly on the merger talks, news of which leaked out over the weekend.

But the general reaction was mildly positive, with Johnson Matthey shares ending 10p higher at 581p while Cookson edged up 1p to 252p.

The concrete benefits analysts could point to were the potential cost savings.

Both companies have large London head offices costing some £10m a year, and also have some overlap in operations and research. Eliminating the duplication could generate savings of more than £20m year which would be useful, if not spectacular, in the context of current combined profits of about £200m.



Source: Hoare Govett forecasts

In at least one business area, electronic materials, a merger would also make strategic sense.

Cookson is one of the world's leading manufacturers of speciality chemicals and laminates used in the production of printed circuit boards.

Johnson Matthey supplies many of the same electronics manufacturers with complementary products.

Electronic materials will provide more than a third of the two companies' combined profits this year and the merged group would be one of the top five suppliers in the world.

There are other areas of overlap but most have been addressed already with the joint venture in ceramic colours and the sale of Johnson Matthey's jewellery materials business to Cookson.

Elsewhere, the groups have little in common: Johnson Matthey is the world's biggest manufacturer of automotive catalytic converters and the leading marketer of platinum group metals; Cookson is Europe's largest maker of plastic flower pots and a world leader in dental floss.

Johnson Matthey prides itself on its high level of research and development spending, more than one third of pre-tax profits last year, and sees itself very much as a high technology company. In contrast, while Cookson has sold off most of its assorted engineering businesses much of the group remains fairly mundane.

"If you go round Cookson's operations you realise that it is not as high tech as you might think from looking at the pictures in the annual report," commented one analyst.

One speculation yesterday was that the combined group might be able to contemplate larger disposals of unpromising businesses. The companies themselves are likely to argue that it will allow them to take on biggest acquisitions.

Even if the two companies' shareholders buy the arguments in general there is still the ticklish question of valuation. If shares in the new combined group were to be allocated in line with the companies' respective reported profits Cookson investors would get about 57 per cent. However, it is thought that Johnson Matthey will fight for more than 43 per cent, partly on the grounds that it has more conservative accounting policies. Analysts estimate that if it were to switch to Cookson's policies on depreciation and pensions its profits would be some £7m higher.

Johnson Matthey supporters also argue that it has better longer term growth prospects though this is disputed by Cookson followers who point out that Cookson's profits are currently growing faster.

Mr Davies and Mr Dick Oster, Cookson's American chief executive, have got plenty to talk about.

SBC to underwrite Matheson Lloyd's issue

By Ralph Atkins
Insurance Correspondent

Swiss Bank Corporation has agreed to underwrite half the shares in a planned quoted Lloyd's of London Investment company which proposes to raise up to £50m to invest in the insurance market next year.

Matheson Lloyd's Investment Trust plans to issue up to 50m ordinary shares at 100p each, of which SBC has agreed to underwrite 25m. The Swiss bank said it hoped to find subscribers for the balance in continental Europe, east Asia and Bermuda, as well as in the UK.

MLIT intends to spread the money raised across about 40 Lloyd's syndicates underwriting a broad range of insurance business. Acting as its Lloyd's adviser is Jardine Lloyd's Advisers, a company set up jointly by SBC and JIB Group, the international insurance broker, earlier this year.

MLIT is the latest company to announce plans for new investment in Lloyd's from next year, and if successful would be one of the biggest entrants.

Investors' appetites for Lloyd's have been limited, particularly in the UK, resulting from the lacklustre performance of similar investment companies launched last year and the continuing bad publicity surrounding the insurance market.

However, Mr Michael Kershaw, executive director at SBC, said the bank expected a significant move towards limited liability corporate investment at Lloyd's. "You have to take a strong view, one way or the other, about Lloyd's, and we have taken a positive one."

To boost the attractiveness of MLIT, a warrant entitling shareholders to subscribe for one ordinary share at 100p will be issued with every five ordinary shares.

The latest date for acceptance is November 23 and dealings in the ordinary shares and warrants are expected to start on November 29.

Boots sells drugs side to concentrate on retailing

By Daniel Green

When John Boot started selling herbal remedies in Nottingham in 1849, he could not have imagined how awkward it would be for his successors to mind the shop and to discover new medicines.

Yesterday, the management of The Boots Company, one of the largest employers in the east Midlands, opted to concentrate on retailing.

The decision was no surprise. Boots has been criticised for being too small to compete in the drugs industry. Barely in the world's top 40 drug makers by sales, it needed a breakthrough to stay on terms.

It was not to be. In the summer of 1993 it was forced to abandon its most promising drug, Manoplax, a heart treatment, because of side effects.

The company quickly announced a strategic review of its pharmaceuticals operations. An outright sale was only one of the possibilities.

The exercise followed a decade of acquisitions in the 1980s, culminating in the unhappy purchase of retailer Ward White in 1989 for £900m.

The delay in finalising the drugs business sale was partly because of the price Boots was asking – which put off such suitors as the UK drugs companies Zeneca and Medeva – but also because of the company's historic commitment to the city of Nottingham where it is one of the biggest employers.

But earlier this month, Boots management said that job losses were inevitable. This cleared a path for a buyer keen to cut costs, and provided an opportunity for a management buy-out. In the end, BASF was able to offer more.

The sale includes all of Boots overseas prescription drugs operations. These range from insulin sales in India to its biggest product, Synthroid, a thyroid hormone, which is only sold in the US. Other products include Brufen and Froben for rheumatism and to combat inflammation.

Boots has not left the health business entirely. It still owns an over-the-counter businesses that includes throat pastilles and sticking plasters.

Ironically, the sale of the drugs division will dilute earnings. But Sir James Blyth, chief executive, earlier this month sweetened the pill for shareholders by suggesting that some of the sale proceeds might be returned to them.

He did not say whether this would take the form of a share buy-back or a special dividend.

Sea Containers shows modest growth to $21.7m

By Simon Davies

Sea Containers, the Bermuda-based leisure, ferry and container leasing group, reported pre-tax profits of $21.7m (£13.2m) for the third quarter, marginally up from $21m.

The result brings the figure for the nine months to September 30 to $25.2m ($35.5m).

The group, which owns the Orient Express and Hoverspeed, was adversely affected by the removal of a hovercraft from its cross-Channel route, in anticipation of the opening of the Channel tunnel last summer. Mr James Sherwood, president, admitted that "in hindsight, this was a mistake".

The group has three groups of high yielding preference shares, and Mr Sherwood said Sea Containers was looking at asset disposals to fund a restructuring.

Total revenue was $154m ($146m) in the quarter.

Earnings per share for the quarter and nine months were $1.19 ($1.17) and $1.16 ($2.15).

UAP to pay up to £265m for Provincial

By Ralph Atkins

Union des Assurances de Paris, the French insurance company, is expected to have to pay between £255m and £265m for Provincial, the UK insurance group it has acquired in a deal completed yesterday.

UAP announced in September that it expected to pay less than £300m for privately-held Provincial. Documents sent to Provincial's shareholders are understood to suggest that the actual consideration is £235m plus a further sum, dependant on the UK company's performance since the summer, expected to be between about £20m and £30m.

UAP bought Provincial as part of its plans to expand into the UK non-life sector of the insurance industry. Of particular interest was Prospero, Provincial's direct selling operation. Provincial reported pre-tax profits of £31.8m last year.

Stega £6.7m flotation

By Daniel Green

Stega Pharmaceuticals, a biotechnology company, hopes to raise £6.7m net from a flotation in London, according to its pathfinder prospectus published today.

It is making a subscription offer of 1.9m shares at 400p each, representing 52.8 per cent of the company's enlarged equity and valuing the company at £14.4m.

The company is applying to trade the shares under Rule 4.2.

Stega, incorporated in Ireland but based in Linz, Austria, intends to use the proceeds to run clinical trials on a potential treatment for herpes virus infections.

It will move its operations to the UK, where large numbers of clinical trials are conducted.

ADT improves to $35.6m in third quarter

By Paul Taylor

ADT, the electronic security services and car auction group with operations in North America, the UK and continental Europe, yesterday reported a modest 3.5 per cent increase in third quarter pre-tax profits.

The Bermuda-registered group which does much of its business in the US but retains a UK quote, reported pre-tax profits of $35.6m in the three months to September 30, against $34.4m last time.

Operating profits before goodwill amortisation of $6.5m ($6.6m) increased by 11 per cent to $60.2m ($54.2m) on turnover ahead 8 per cent to $340.3m ($315.7m).

Net interest costs increased from $13.4m to $14.2m and earnings per share fell to 18 cents (22 cents).

The electronic security services division contributed $44.7m ($39.1m) to operating profits on sales of $249m ($231.3m), while vehicle auction services reported operating profits of $15.5m ($15.1m) on sales of $91.3m ($84.4m).

Mr Michael Ashcroft, chairman and chief executive, said third quarter results "were in line with management's expectations".

The third quarter results lifted pre-tax profits for the nine months to $111.2m ($104.8m), on sales which advanced to $1.02bn ($950.8m).

Earnings per share for nine months were down from 67 cents to 56 cents. The year-on-year decline reflects the issue of 20.7m new shares as part of the group's refinancing package in August last year.

ADT's shares closed up 30p at 740p in London.

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COMPANY NEWS: UK

Wardle Storeys edges ahead after land sale

By Paul Taylor

An exceptional profit on the sale of land helped Wardle Storeys, the plastic sheeting, military parachute and marine safety and survival equipment manufacturer, report a modest 2 per cent increase in full year profits.

Pre-tax profits increased from £8.04m to £8.2m in the year to August 31 bolstered by a £1.49m profit on disposals, including the sale of 9 acres of land adjoining the group's site in Brantham, Suffolk.

The exceptional gain offset a decline in operating profits, which slipped to £5.27m (£5.84m) and a reduction in net interest income which fell to £1.45m (£2.21m). Turnover, including a £727,000 contribution from acquisitions, grew by 2 per cent to £79.6m.

Earnings per share increased by 10 per cent to 23.9p (21.7p) and an unchanged final dividend of 12.25p is proposed, maintaining the total for the year at 17.25p. The shares fell by 24p to 371p.

Operating profits picked up sharply in the second half, when profits increased by 25 per cent over the first six months. The improvement came despite continued weakness of the lira, which affected the performance of the technical products division, and reorganisation costs in both the RFD inflatables and GQ Parachutes operations.

Operating profits in the technical products division, which makes specialised plastic sheet and coated fabrics, increased slightly to £2.55m (£2.49m) on turnover which grew modestly to £55.1m (£53.2m).

The group said margins were under pressure due to increased raw material costs.

Operating profits on the safety and survival equipment side fell from £3.34m to £2.72m on turnover of £24.5m (£24.8m).

Within the division, GQ Parachutes, which makes specialised parachutes, reported operating profits of £1.49m (£1.84m) on sales of £8.17m (£8.1m). Profits were struck after a near-£300,000 charge to cover the cost of consolidating operations at the Blackmill site.

RFD Inflatables reported profits of £1.23m (£1.51m) on turnover of £16.3m (£16.7m).

Net cash declined by £4.5m to £27.3m at the year-end, mainly due to the cost of acquisitions, capital expenditure greater than depreciation and an increase in working capital, partly offset by receipt of part of the proceeds from the sale of the Brantham land.

Mr Brian Taylor, chief executive, said the current year had started strongly.

Sketchley rises 11% and aims to rebuild image

By Peter Pearse

Sketchley is poised to embark on a marketing campaign in an effort to rebuild its image and increase awareness of its brand name.

Mr John Jackson, only 11 days into his new job as chief executive, said that dry-cleaning was mostly generic, but that the Sketchley brand was an under-utilised asset and should denote market leadership in terms of professionalism and reliability.

Mr Tony Bloom, deputy chairman, acknowledged that problems in the past had tarnished the brand, but a marketing campaign, probably on radio and in the press, would start soon to address this and to increase awareness.

The announcement came as the dry-cleaning, photo-processing and textile services group reported pre-tax profits up 11 per cent from £3.61m to £4m in the 26 weeks to September 30.

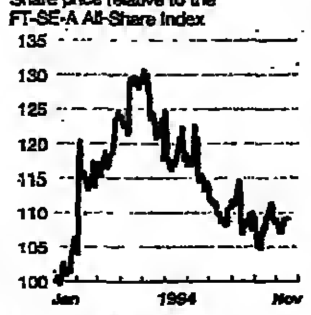
Mr Jackson was appointed following the departure of Mr John Richardson, who with Mr Bloom steered Sketchley away from the financial brink. Mr Richardson left, because "the job is done".

Mr Bloom said both consumers and retailers remained cautious, given that the "macro scene is still patchy". On the consumers' side, dry-cleaning was "a grudge purchase". He added that the retail side was highly operationally geared. "Three extra customers per day per shop and we'd have a really excellent business."

Group turnover slipped to £74.5m (£75.7m), including £1.49m (£24.1m) from acquisitions, as 60 lossmaking branches were closed, bringing the total to 750.

Sketchley

Share price relative to the FT-SE-A All-Share Index



Source: FT Graphite

So far there are 47 sites which combine dry-cleaning and Supasnaps, the photo-processing business acquired in 1993 for £6.6m. The group expects to have 150 joint sites within 18 months, which will involve a move into the north of England where Supasnaps is already represented.

The retail division made profits of £2.79m (£2.44m) on turnover of £45.8m (£48.9m). Profits in textile services rose to £2.79m (£2.21m) on turnover of £28.2 (£25.3m). Warrender Aircraft Services, acquired in April for £8.4m including debt, contributed £400,000 to profits and £1.5m to turnover.

Over the half, borrowings rose from £11.3m to £15.5m after the Warrender buy, giving gearing of 42 per cent. This should revert to the 30-35 per cent level of the April 1 year end by the end of this year.

Earnings per share emerged at 4.5p (4.4p) and the interim dividend is unchanged at 1p.

Tussauds confident about Spanish park

By Michael Skapinker, Leisure Industries Correspondent

The Tussauds group, operator of Port Aventura, the Spanish theme park which opens next April, said yesterday it expected the project to be profitable from its second year.

Mr Nick Harvey, Tussauds' head of corporate development, said at the World Travel Market exhibition in London that Port Aventura would avoid many of the mistakes which have plagued Disneyland Paris, the theme park operated by Euro Disney.

Port Aventura will close during the winter months and will not have its own hotels, unlike Disneyland, which remains open throughout the year and has six hotels which it has struggled to fill since the park's opening in 1992.

Tussauds, which is part of Pearson, publishers of the Financial Times, owns 40 per cent of Port Aventura, which is an hour's drive from Barcelona.

La Caixa, the Spanish savings bank, has 30 per cent, Anheuser-Busch, the US brewer and theme park owner, has 20 per cent and the remaining 10 per cent is held by Fecsa, the Spanish utility company.

The park, which has cost £300m to build, is expected to be completed by the end of December.

It is hoping to attract 2.5m visitors in its first year, of which 1.1m will come from outside Spain.

Ms Maggie Bergsma, who markets the park to tour operators, said she expected France to be the biggest foreign market, followed by Germany, the Netherlands and the UK. Many of the foreign visitors would be holidaymakers on the Costa Brava, a two-hour coach drive away.

Gartmore to launch micro trust

By Bethan Hutton

Gartmore is to launch an investment trust to track a new index covering the smallest 1 per cent of UK equities by market capitalisation.

The MicroCap index has been formulated by Professors Elroy Dimson and Paul Marsh of the London Business School, who have also been involved in establishing smaller companies indices for Hoare Govett.

The new index includes about 670 companies, the largest of which has a market capitalisation of about £29m. This means that there is no cross-over with the FT-SE-A All-Share Index, which has a cut-off point of £30m.

The Gartmore Micro Index Trust will take holdings in about 500 companies.

Mr Gary Smith, the fund manager, said the trust would be capped at £100m. Its minimum size has been set at £25m. The trust will be launched by means of a placing and public offer, opening on December 2.

● Hoare Govett announced yesterday that it had raised £30m for an investment trust tracking the new Hoare Govett 1000 index, which covers the bottom 2 to 2.5 per cent of the UK equity market.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Bett Brothers ......fin	3.25	Jan 16	1.5	4.5	2
British Steel ......int	2	Jan 16	0.5	-	2
Pilot Inv Tst ......int	0.55†	Dec 16	0.5	-	1.5
Renold ......int	1.2	Jan 27	0.7	-	2.5
Sketchley ......int	1†	Dec 21	1	-	3.2
Smith (Jas) Ests......int	1.7†	Jan 16	1.55	-	4.65
Wardle Storeys ......fin	12.25	Jan 5	12.25	17.25	17.25

Dividends shown pence per share net except where otherwise stated. †On increased capital.

COMPANY NEWS: UK AND IRELAND

Former chairman seeks break-up of controlling family trust

Dunnes battle comes to court

By John McManus in Dublin

A two year battle for control of Dunnes Stores, Ireland's largest retailer, moves to the High Court today when Mr Ben Dunne, the former chairman, will ask the court to break-up the family trust that has owned most of the company since the 1960s.

Mr Dunne lost the chairmanship of Dunns Holdings, the group company, in March last year after being out voted 3-2 by the other executive directors, who are also his brother and sisters. By August lest year, he had been relieved of all executive responsibilities.

Dunnes has an annual turnover of I£900m (£880m), employs 5,000 people and has about 22 per cent of the Irish retail market.

Following an unsuccessful attempt in August 1993 to get the other members of the family to buy him out, Mr Dunne instigated legal action. He is seeking to hava the trust declared invalid, claiming it does not operate as a genuine discretionary trust and was designed to shield the assets of the business from the Irish revenue authorities.

Set up in the 1960s by the company's founder, Mr Ben Dunne Snr, the trust holds 99,000 non-voting ordinary shares. There are 1,000 voting preference shares held equally by Mr Dunne, his brother and two sisters, as well as the estate of one sister who died last year.

The ordinary shares are held in trust for the children of the five preference shareholders. If the trust is broken up, the ordinary shares are expected to pass to the preference ahareholders on a pro-rata basis.

Mr Dunne is claiming that a decision by the trustees to extend the trust after it was due to expire in 1985 was not valid as they did not have the power to do so. By extending the trust, a capital gains tax hill, estimated to have been I£40m, was avoided.

Mr Dunne is also alleging that the trustees cannot carry out their functions properly because of an "invidious conflict of interest" as some of them are also legal and financial advisers to the company.

The four trustees are Mr Noel Fox, a senior partner in Oliver Freaney, the Dublin accountancy firm, Mr Edward Montgomery, a senior partner in Matheson Ormsby Prentice, the law firm, and Mr Frank Bowen and Mr Bernard Uniacke, two partners in the Irish practice of Deloitte & Touche.

If Mr Dunne is successful he will seek to buy-out his brother and sisters or sell his shares, valued at I£80m, to them.

In a separate action, due to start later this year or early next year, Mr Dunne will claim that he has been oppressed and ask the court to order his brother and sisters to sell their shares to him.

Alternatively, he wants to be returned to his previous position or have the court make his brother and sisters huy him out. Failing that, he wants the company wound-up and the assets distributed.

Kalamazoo returns to the acquisition trail

By Paul Cheeseright, Midlands Correspondent

Kalamazoo, the Birmingham-based computer services and printed systems group, has made its second acquisition of the financial year with the purchase of WIS Computer Systems for up to £5.79m in cash and shares.

"There is more to come. We've been quite husy. There are a number of discussions in the pipeline," said Mr Mike Langmore, chief executive. In August, Kalamazoo said it expected to spend up to £20m this year on expanding its computer services business.

The initial payment for WIS, a privately owned Cardiff company, is £1.53m in cash and £270,644 in new Kalamazoo shares. A further consideration of up to £4m in cash and shares depends on the net results of WIS in the years to January 1998.

The effect of the share issue, combined with the shares issued under employee share option schemes announced in January, will be to dilute the holding of Kalamazoo Trust to less than 50 per cent for the first time since it was set up in 1948.

Earlier this year the trust, established to ensure that employees had majority ownership, agreed to accept dilution, thus giving the board the choice of using Kalamazoo paper to make acquisitions.

Revamped UK Estates cuts losses

UK Estates, which changed its name from Sheafbank Property Trust in March following a financial restructuring, reported reduced pre-tax losses for the year to June 30 and said that dividends, halted in 1992, were likely to be resumed in the new year.

Gross income improved to £2.89m (£805,000) including £1.64m from money broking; discussions for a management buy-out of the latter are under way and disposal would complete the group's withdrawal from financial services.

Operating profits were £384,000 (£260,000). Net interest charges of £1.03m (£600,000) left the pre-tax loss at £650,000 (£1.78m). Losses per share were 2.58p (10.41p).

March's reconstruction included a placing which more than doubled the equity base; shareholders' funds at end-June amounted to £16.6m, up from £6.45m a year earlier.

Since the period-end the group has sold its Parkway industrial estate at Trafford Park, Manchester, for £3.6m, 20 per cent above valuation in February. This had underpinned the outcome according to Mr David Gradel, chairman, and would allow the resumption of dividends, starting with the preference distribution scheduled for January 1.

Renold jumps to £4.6m as orders increase 20%

By Richard Wolffe

Pre-tax profits at Renold almost donbled in the six months to October 1, when the chain and gear manufacturer experienced a 20 per cent rise in orders.

The Manchester-based company yesterday announced pre-tax profits of £4.6m (£2.4m) on turnover up 8 per cent to £70.9m (£65.4m), despite lower sales in the machine tools and rotors division.

Operating margins improved from 5 to 7 per cent, after a lengthy restructuring which has cut the workforce by 30 per cent to 2,600 in the last four years.

Profits were also lifted by lower redundancy costs of £300,000 (£500,000) and a reduction in interest costs from £800,000 to £600,000.

Mr David Cotterill, chief executive, said: "During the bad days, the company invested a hell of a lot in the factories. That new equipment is producing the goods now and generating a good cash stream."

Profits improved at the chain operations, where the UK plants reported higher sales in both domestic and export markets. Chains account for 80 per cent of group turnover.

Demand recovered for the automotive timing chain produced in Calais, as US motor manufacturers aim to replace belts with longer-lasting chains to drive camshafts.

The gears division reported a 35 per cent increase in orders after attracting contracts for escalators in underground transport systems, including London's Jubilee line.

The machine tools division is expected to improve sales in the second half, including orders from the air conditioning and food distribution industries in Japan and Russia.

Mr Cotterill said the company would seek to acquire bolt-on businesses to complement its present activities. It was also planning to lift capital expenditure from its present £2.5m.

Gearing fell from 19 to 2 per cent at the half-year stage as net borrowings decreased to £1.4m (£10.1m).

Earnings per share rose to 5.5p (2.9p) and the interim dividend is lifted from 0.7p to 1.2p.

The shares closed up 4½p to 178½p yesterday.

Bullers share sale

Under court order, 5m shares (8.9 per cent) of Bullers owned by Marbank Marmara Bankasi have been sold to various investors, including certain UK institutions, a Paris-based investment bank and certain private individuals.

Marmara's remaining 3.99m shares (7.1 per cent) may be sold in due course but not in the next six months.

NEWS DIGEST

Distribution expansion for BOC

BOC Group has bought two further distribution companies, taking its investment in the activity to £50m since October last year.

It has bought London Cargo Group, one of the UK's largest independent air cargo companies, and Transports Logistique Organisation, a French distribution company.

The distribution division now operates from 56 sites in the UK, France, the Netherlands and Poland.

Lloyd Thompson buy

Lloyd Thompson, the insurance and reinsurance broker, is to buy Graham Bell, a marine reinsurance specialist, for a maximum £3.5m.

An initial £2.08m will be satisfied as £1.75m in cash, with the balance provided by the issue of 184,761 shares.

Additional shares with a then markat valne of up to £1.42m may be issued on November 30 1995, subject to performance.

Bell made pre-tax profits of £400,000 for the year to end-September, and the assets acquired are warranted at £750,000.

Sedgwick disposal

Sedgwick Group has sold its 75 per cent stake in CLM Advisers to CLM Insurance Fund for an initial £1.7m.

Sedgwick will receive an initial £1.3m and a further amount may be payable in respect of underwriting profits for the 1994 to 1998 Lloyd's years of account.

Mr Michael Wade, chief executive and a 25 per cent shareholder in CLM Advisers, has agreed to receive 400,000 preference shares instead of cash.

Aim contract

Aim Group, the maker of aircraft interior fittings, has won a North American contract with a potential value of more than $50m (£30.4m).

At the same time, however, it warned that low production levels would hit current year profits.

Mr Jeff Smith, chairman, said that "while this contract award further strengthens the already excellent outlook for 1995-96, the current year remains difficult with low levels of production, particularly in the first half, and full year profits may be lower than last year."

He said, however, that the group was well placed to cope with significantly increased production rates resulting from the new contract and the Saab 2000 contract.

Aim Aviation, a wholly-owned subsidiary, is to supply Northwest Airlines, the Minneapolis-based carrier, with integrated interiors for its fleet of Douglas DC9-30 aircraft.

The initial order for 40 aircraft sets is valued at more than $22m (£13.4m) with deliveries to commence in May 1995. Northwest has also an option on a further 86 aircraft sets.

Pilot net assets fall

Pilot Investment Trust suffered a fall in fully diluted net asset value per share to 130.14p at September 30, against 137.3p six months earlier.

Earnings per share were lower at 0.97p (1.21p). The interim dividend is 0.55p (0.5p).

NEWS IN BRIEF

DRAGON OIL: rights issue received subscriptions for 42 per cent of 56.9m units available. Davy Corporate Finance is placing balance in the market at rights price of 4p per unit.

FERRUM HOLDINGS is selling Spax, maker of shock absorbers, to Jems, a company controlled by a Spax director who is also a director of other Ferrum group companies. Consideration is £209,000 in cash and loan notes.

KEWILL SYSTEMS has sold a freehold property for £1.3m, against a book value of £1m.

ROPNER is expanding its shipping division with the $13.9m (£8.4m) purchase of a dry bulk carrier.

YORKSHIRE FOOD Group has disposed of its entire stake of 8m ordinary shares in Hobson for £1.92m.

A N N O U N C E M E N T

FINANCIAL RESULTS

TENAGA NASIONAL BERHAD

TENAGA NASIONAL BERHAD UNAUDITED RESULTS FOR THE YEAR ENDED 31 AUGUST, 1994

The Board of Directors are pleased to announce the following

1. **UNAUDITED RESULTS OF THE GROUP AND COMPANY FOR THE YEAR ENDED 31 AUGUST 1994.**
(Amounts in RM million unless otherwise stated)

	GROUP 1994	GROUP 1993	COMPANY 1994	COMPANY 1993	GROUP + or - %	COMPANY + or - %
Turnover	5,629.4	5,030.4	5,608.8	5,010.6	12	12
Investment and other income	82.4	186.4	82.9	187.1	(56)	(56)
Profit before taxation (i)	1,981.7	1,848.7	1,986.4	1,835.7	7	8
Taxation (note ii)	(257.8)	(320.5)	(258.4)	(315.8)	(20)	(18)
Profit after taxation	1,723.9	1,528.2	1,728.0	1,519.9	13	14
Minority Interests	(0.4)	(2.8)	-	-	(86)	-
Profit attributable to shareholders	1,723.5	1,525.4	1,728.0	1,519.9	13	14

Notes :

	GROUP 1994	GROUP 1993	COMPANY 1994	COMPANY 1993
(i) Profit before taxation is stated after charging/(crediting):-				
· Depreciation of fixed assets	732.7	584.3	731.1	583.1
· Interest on borrowings	328.7	322.6	328.6	322.5
· Foreign exchange:				
· Transaction loss/(gain)	(250.0)	(108.6)	(250.0)	(108.6)
· Translation loss/(gain)	54.5	100.6	54.5	100.6
(ii) Taxation comprises :-				
Current year provision	265.0	320.4	258.4	315.8
Over provision in respect of prior years	(0.9)	-	-	-
Deferred tax	(6.3)	0.1	-	-
	257.8	320.5	258.4	315.8
(iii) Profit before taxation as a percentage of turnover	35%	37%	35%	37%
(iv) Profit attributable to shareholders as a percentage of shareholders' funds	13%	13%	-	-
(v) Earnings per share	57.0 sen	50.8 sen	-	-

Earnings per share is calculated by dividing the profit after taxation and minority interests by the weighted average number of shares in issue during the year of 3,021.8 million (1993: 3,000.2 million).

	GROUP 1994	GROUP 1993	COMPANY 1994	COMPANY 1993
(vi) Net tangible assets backing per share	441 sen	386 sen	-	-

Net tangible assets backing per share is calculated by dividing the total net assets by the weighted average number of shares in issue during the year of 3,021.8 million (1993: 3,000.2 million).

(vii) The authorised ordinary share capital is RM 3,500,000,000.

(viii) During the year the Company's issued and paid-up ordinary share capital was increased from RM 3,001,827,000 to RM 3,034,622,000 by the issue of 32,795,000 ordinary shares of RM 1.00 each at an issue price of RM 8.34 per ordinary share pursuant to the exercise of options under the Company's Employee Share Option Scheme.

(ix) In the opinion of the Directors, there are no items, transactions or events of a material and unusual nature which have arisen subsequent to the financial year end which would have substantially affected the results of the operation of the Group or of the Company

2. **REVIEW OF RESULTS**

The profit after tax of RM 1,723.9 million represents a 13% return on Capital Employed. As compared with previous year, profit after tax has improved by 13% mainly due to increase sales of electricity to the industrial sector, withdrawal of discounts during the year and the realised foreign exchange gain from loan prepayment. The Directors are of the opinion that profits for the year are satisfactory given the capital employed and the Company's need to finance its significant capital development programme.

3. **PROPOSED DIVIDEND**

A final gross dividend of 7.0 sen per share (1993: 7.0 sen) has been recommended by the Board of Directors subject to shareholders' approval and is proposed to be paid on 26 January, 1995 to shareholders on the Company's register at the close of business on 30 December, 1994. Together with the interim gross dividend of 5.0 sen per share (1993: 5.0 sen) paid on 8 July, 1994 the total gross dividend for the year is 12.0 sen(1993: 12.0 sen). Registrable transfers received by the company up to 5.00 pm on 30 December, 1994 will be deemed registered in determining the entitlement to the said dividend. Accordingly the Share Transfer Books and the Register of Members will be closed from 31 December, 1994 to 6 January, 1995 (both dates inclusive) for the purpose of determining shareholders' entitlement to the dividend

4. **ANNUAL GENERAL MEETING**

The Annual General Meeting of the Company will be held on 29 December, 1994.

5. **PROSPECTS FOR THE CURRENT FINANCIAL YEAR 94/95**

The Directors are of the opinion that with the country's economic growth and in the absence of unforeseen circumstances the Group will maintain its turnover and profit during the current financial year.

By Order of the Board

(Dato' Abdul Rashid bin Ahmad)
Executive Director

Kuala Lumpur
7 November, 1994

Notes :
Currency Exchange Rates on November 7, 1994
One US Dollar = RM2.5850
One Sterling Pound = RM4.1850

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 15.11.94: Pool purchase price £/MWh	Post Prices for Trading on 16.11.94: Pool purchase price £/MWh	Pool selling price £/MWh
0030	9.24	10.05	10.05
0100	9.73	9.21	9.21
0130	9.73	19.21	18.29
0200	9.73	15.88	17.96
0230	9.23	16.21	18.29
0300	9.24	16.21	18.29
0330	9.23	16.21	18.29
0400	9.22	16.21	18.29
0430	8.18	16.21	18.29
0500	8.18	15.88	17.96
0530	8.12	8.40	8.40
0600	8.13	8.40	8.40
0630	8.22	16.64	18.72
0700	8.24	19.08	21.17
0730	30.46	19.90	22.24
0800	30.59	32.83	35.43
0830	30.59	35.49	38.12
0900	30.46	32.85	35.46
0930	30.80	27.46	29.89
1000	31.68	28.40	30.86
1030	31.69	29.98	32.44
1100	31.69	29.98	32.43
1130	36.52	28.55	31.05
1200	36.53	30.31	32.85
1230	36.52	36.61	39.09
1300	31.69	29.58	32.04
1330	30.69	27.57	29.81
1400	30.79	24.70	26.86
1430	30.79	24.82	26.78
1500	30.79	24.60	26.75
1530	30.84	24.64	26.80
1600	32.19	24.84	27.06
1630	58.44	25.55	27.98
1700	103.13	31.33	33.97
1730	138.12	32.08	34.74
1800	120.90	34.07	37.29
1830	62.25	53.92	58.29
1900	47.56	57.89	62.17
1930	42.42	55.33	59.37
2000	36.85	34.27	37.02
2030	30.81	40.31	42.53
2100	30.76	24.55	26.67
2130	30.45	21.44	23.53
2200	29.90	19.75	21.84
2230	30.46	19.06	21.14
2300	9.26	19.06	21.14
2330	8.23	18.83	20.91
2400	8.22	16.64	18.72

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alteration) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456780 between 8:30am and 5:15pm Monday to Friday.
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COMPANY NEWS: UK

Associates' turnround buoys British Steel

By Andrew Baxter

A much bigger than expected turnround at associated companies, combined with more than trebled trading profits from its own business, helped British Steel to announca its hest interim results since the 1990-91 year.

Pre-tax profits for the six months to October 1 rose from £27m to £159m, oo turnover ahead from £1.97hn to £2.2bn.

Earnings per share jumped from 1p to 6.49p and the interim dividend is raised from 0.5p to 2p.

In its trading statement, the company highlighted the "major improvement" in the results from its main associated undertakings.

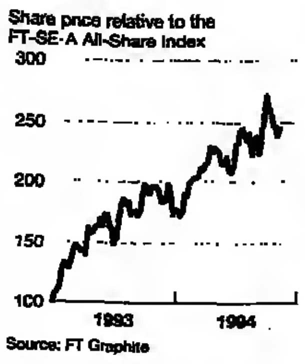
These include Avesta Sheffield, the Anglo-Swedish stainless steel producer, and UES Holdings, the UK engineering steels and forgings concern.

Analysts had been pencilling in a contribution of about £20m from associates, against a loss of £8m in the previous first half. In the event, they contributed £41m, a performance which reflected rationalisation and cost reductions.

Avesta Sheffield, in particular, was spurred by increased demand and selling prices.

British Steel

Share price relative to the FT-SE-A All-Share Index



Source: FT Graphite

It now appeared well positioned to benefit from the current improved trading conditions, the company said.

In September, British Steel paid £85m to increase its stake in the company from 40 per cent to 49.9 per cent. It had previously spent £20m taking up its share of an Avesta rights issue.

The recovery at Rotherham-based UES, in which British Steel has a 60.9 per cent stake, was less marked.

It lost £48.1m before tax in 1993, but has since been trading profitably.

GKN, which owns the other 39.1 per cent, has made it clear that it does not consider the company to be a core business.

Mr Brian Moffat, British Steel's chairman and chief executive, said his company was a long-term investor in UES. He added, however, that the company was still "not as efficient as we would like it to be".

On British Steel's own trading position, Mr Moffat said the improvement in UK demand in the latter part of its last financial year had continued into the first half.

The emerging recovery in mainland Europe had also strengthened.

As a result, sales volumes had increased by 6 per cent to 5.9m tonnes, selling prices had continued upwards, and trading profit had jumped from £38m last time to £120m.

Capital spending in the first half rose by £1m to £43m. Net debt was £4m at the end of the period, after the additional £105m investment in Avesta Sheffield. This compares with net funds of £37m st the end of fiscal 1994.

The effective tax rate for the half year fell from 22 per cent to 17 per cent, following the writeback of ACT previously written off, and, in associates, the utilisatioo of tax losses brought forward.

Siebe buys US group for $90m

By Andrew Bolger

Siebe, the international controls group, has agreed to pay $90m (£54.8m) for Triconex, a US company which makes critical process safety shutdown systems for the chemicals, oil and gas industries.

The UK-based group will make a teoder offer worth $17.75 a share; the deal has heen recommended by the board and senior management of California-hased Triconex, which is quoted on Nasdaq.

Triconex pioneered triple modular redundant (TMR) technology for the process industry.

Siebe said this provided a similar level of safety to that available to the aerospsce industry, at an extremely competitive cost.

TMR architecture utilises three parallel components throughout the system, so the failure of any single component will not cause an interruption in control.

Siebe said Triconex was not only the recognised leader for such safety systems, bui had also been instrumental in making this technology the industry standard.

Triconex, founded in 1983, has achieved rapid sales growth, particularly during the past five years. In the year to September 30, it made net income of $5.2m oo sales of $48.8m. It has net assets of $36m.

Its equipment has beeo used for many years by Foxhoro, Siebe's Massachusetts-based suhsidiary, which has been gaining market share with its Intelligent-Automation process cootrol systems.

Siebe said safety shutdown systems were the fastest growing part of the process control industry.

Although it was paying a high multiple of earnings for the US company, Triconex was already achieving Siebe-style margins and was being bought for its potential.

Melville delisted

Melville Group yesterday had its listing cancelled at the exhibition services and interior fittings group's request.

In August, Melville announced that it had requested Barclays, as agent for a bankiog syndicate, to appoint receivers.

Melville shares were suspended in May when it said that it was in talks which could lead to the sale of a substantial part of the business.

NEWS DIGEST

Bett Bros rises 36% to £5.9m

Bett Brothers, the Dundee-based housebuilding, property and inns group, lifted pre-tax profits by 36 per cent, from £4.36m to £5.93m, in the year to August 31.

Last time there was a £2.4m credit from the refinancing of an associate.

The improvement reflected increased activity and profit in all three divisions despite the tough trading environment, the directors said.

Housebuilding contributed £20.8m (£18m) to sales and £3.3m (£2.5m) to operating profits. Property and investment turnover was £4.32m (£2.84m) with profits at £3.3m (£2.49m), while in pubs and hotels turnover and profits were £5.07m (£4.5m) and £1m (£942,000) respectively.

Gearing of only 29 per cent formed a basis for expansion, directors said. They intended to invest in each of the operating areas, mainly in extending geographic coverage, particularly in central Scotland where a start had already been made in housing.

Earnings per share increased to 32.56p (21.84p) and the dividend is raised from 2p to 4.5p via a proposed final of 3.25p (1.5p).

James Smith Ests

Sharply improved gross rental income and a reduced interest burden helped James Smith Estates, the provincial property investment company, report a 72 per cent interim profits expansion.

Mr Stephen Mulliner, chairman, said the company had made purchases totalling £3.3m since the end of the half-year and was seeking further portfolios and individual properties "which meet our investment criteria".

The pre-tax line for the six months to September 24 jumped to £1.34m (£775,000) reflecting a 42 per cent growth to £1.65m (£1.16m) in rental income and interest payable of just £93,000 (£237,000) following the £12.3m placing and open offer in March.

The interim dividend goes up to 1.7p (1.55p), payable from earnings of 4.1p (3.37p) per share.

RIT Capital

Diluted net asset value at RIT Capital Partners, the investment trust, rose slightly over the six months to September 30 from 221.6p to 222.1p.

The rise compared with falls of 3.3 per cent in the benchmark FT-SE-A All-Share Index and 3.1 per cent for the Investmeot Trust Net Assets Index.

The net asset value figure 12 months earlier had been 202.9p.

For the half year to end-September there was a net loss of £4.1m, compared with profits of £2.9m. Losses per share were 2.28p (1.64p earnings).

Newport purchase

Newport Holdings, the property investment company, has announced the conditional disposal of a Birmingham freehold property for £2.29m, which gives a profit over book value of £92,000 before expenses and tax.

It also releases £992,000, before expenses, after the discharge of the mortgage on the property, which will be available for further investment.

News Intl

News International is planning to amend its Articles of Association following an issue of bonus preference shares by Naws Corporation, its Australian parent.

Special dividend shares in News International are governed by a formula that links the dividend paid to the dividend on ordinary shares in Naws Corp. The shares are intended to reflect the rights and entitlements of ordinary shareholders in News Corp.

The formula is now deemed inadequate because of the peculiar nature of the bonus preference shares issued by News Corp on a 1-for-2 basis at the end of September.

An amendment to the formula has been drawn up to protect the economic interests of the special dividend holders in News International. It will be put to them at a meeting early next year.

COMMODITIES AND AGRICULTURE

LCE cocoa study clears funds of distortion

By Deborah Hargreaves

The hedge fond and institutional money that has poured into the commodity markets this year has not made futures contracts more volatile nor pushed prices out of line with physical supply signals, as is believed by many traders, according to a report to be released this week.

The report, by Christopher Gilbert, professor of applied economatrics at Queen Mary and Westfield College, part of the University of London, was commissioned by the London Commodity Exchange and is the first to examine the activities of futures funds in the London market. It charts fund activity in the world cocoa market.

Prof Gilbert notes that many institutional investors have been attracted to commodities since the beginning of the year as a way of diversifying their portfobos. At the same time, short-term trend-following funds with fairly large amounts of money to trade have been increasingly active in commodities.

It is these short-term traders who base their decisions on technical trends that many dealers blame for exaggerating price trends and increasing volatility in the commodity markets. However, Prof Gilbert shows that intra-day volatility in cocoa has changed little in the past five years.

In addition, he believes that there are enough dealers basing their decisions on fundamental analysis of the market to counteract the effects of technical trading. "This suggests that technical trading is unlikely to have any sustained effect on prices, but does not preclude the possibility that it does exaggerate short-term price movements," he notes.

Fund activity does have the beneficial effect of dramatically improving liquidity in agricultural futures markets, where thinness has been e particular problem. This addition of depth offsets the exaggerated price movements generated by fund activity. Prof Gilbert says "these two effects appear in general to cancel".

He also refutes the suggestion that funds have pushed prices away from physical supply signals, concluding that, on the contrary, in cocoa tbey have brought the two closer together.

Institutional fund investors looking to play the long-term trends in commodity markets have provided mucb of the growth in liquidity in the cocoa market, particularly in New York, during tbe past eight years.

Since last July, funds have also become large holders of cocoa stocks. From an analysis of US regulatory figures, Prof Gilbert concludes tbat ibese funds hold between 300,000 and 600,000 tonnes of cocoa in the London and New York markets.

These holdings account for between 25 per cent and 50 per cent of the entire stocks held by the industry.

"The commodity funds have essentially bid it away from the grinders. They are willing to pay a higher price to control the stock. This reflects their concerns about inflation, their view that cocoa and other commodities (but not coffee) remain cheap and the poor performance of other investments," the report states.

Prof Gilbert says tbst tbe purchase of cocoa stocks by the funds has coincided witb tbe general run-up in price experienced by the market. He says funds are not necessarily pushing the cocoa price out of line with market fundamentals, but that cocoa appears to bsve been onder-valued in 1990-1992.

The report suggests that the large fund purchases in July 1993 may have been the catalyst that triggered a return to prices more in line with costs. This points to the fact that "fund activity has affected the level of cocoa prices, but in a direction which allgns them more closely with market fundamentals".

Commodity Fund Activity and the World Cocoa Morket: by Professor Christopher Gilbert. Availoble from the London Commodity Exchonge from November 24.

UN seabed agency prepares for its inaugural meeting

By Canute James in Kingston

A new United Nations agency to monitor the recovery of minerals from the international seabed is to be launched in Jamaica tomorrow with the inaugural meeting of the International Seabed Authority.

UN officials say that all the operations of Unisa will be on a commercial basis, and that the intention is to find an orderly method of dealing with minerals located on the international seabed, preventing "chaos and anarchy" in the world's metals markets.

The anthority will be responsible for implementing the Law of the Sea Convention, a broad agreement on seabed mining that was reached after 11 years of contentious negotiations between industrialised and developing nations.

The new agency'a work will focus on the exploitation of billions of dollars worth of polymetallic nodules lying on the international seabed, which have been declared the "common heritage of mankind", by the UN. The nodules contain mainly copper, nickel, manganese and cobalt, with smaller quantities of other minerals.

Whan tha negotiations started under the auspices of the UN, it was expected that commercial exploitation of seabed minerals would have started by 1998. UN officials now say that seabed mining will not begin until about 2008.

The Law of the Sea Convention also creates Enterprise, the anthority's commercial arm, which will oversee exploration and mining through joint ventures among private companies and states, and Tribunal, which will adjudicate disputes over seabed mining among states and companies. The authority and Enterprise will be located in Jamaica, while Tribunal will be based in Hamburg.

The negotiations on the convention were drawn out because of concerns among industrialised states that developing country governments would have too much an influence on the authority and effectively control seabed mining. For their part, developing countries feared that international consortia with significant technological and financial resources would dominate seabed mining, depriving poorer countries of the benefits.

The treaty that the ISA will administer makes provision for the protection of land-based producers of minerals found on the international market. Land-based producers were worried that unregulated seabed mining could flood markets and depress prices.

Pension portfolios seen opening up to commodities

By Deborah Hargreaves

Many large pension funds are close to including commodities in their investment portfolios as a way of diversifying away from traditional financial holdings, according to Mr Steven Strongin, vice president and commodities strategist at Goldman Sachs, the US investment bank.

"We are now in a bull market and some investors are taking their first steps into commodities, but it will probably not be until the next production cycle wben commodities earn a permanent place in many portfolios," ha said.

The perception among many investors is that commodity markets are reaching the peak of their price upturn. But Mr Strongin pointed out that although some metals and coffee had swung sharply upwards, many other commodities were yet to be affected. The Goldman Sachs Commodity Index, whicb tracks movements of 22 commodities, is up 4 per cent so far this year.

"There is a certain pattern to price movements in each business cycle: gold leads the way followed by the industrial metals with oil coming later and soft commodities last," Mr Strongin said. So far, the current price run has adhered to previous patterns.

Oil has been left behind as other commodity markets have taken a roller-coaster ride this year, but Mr Neil Bresolin, commodities analyst at Goldman, believes that lack of investment in production, coupled with increased demand, will be enough to push prices up next year. "Oil and coffee are the most volatile markets so you won't see oil going np in a straigbt line, but there is potential for it to ratcbet up next year," he said.

Global growth will give a boost to all commodity markets. Mr Strongin points out that strong growth in Asia and Latin America is more closely linked to rising demand for basic commodities as production in tbose economies is more commodity-intensive.

"The specific timing of price moves in different sectors depends on the build-np of capacity in previous cycles: there will be an increase in soft commodities fueled by demand from developing countries. But the bumper US harvest has temporarily dampened those markets," said Mr Strongin.

Some strong price movements in metals and coffee this year have been blamed on speculative action by hedge funds ignoring market fundamentals. But Mr Strongin believes speculation in commodities cannot be sustained for long periods because of the discipline imposed on tbe markets by pbysical realities.

"Tbe spot markets make commodities unique becausa they are based on real pbysical demand for raw materials. Anticipatory moves in price are difficult to sustain."

Stora raises pulp charges still further

By Christopher Brown-Humes in Stockholm

Stora, Europe's leading pulp and paper group, said yesterday it planned to increase long-fibre pulp prices by a further $50 a tonne from January 1, the sixth price rise in a year.

The increase, which will lift the price of northern bleached softwood kraft pulp to $750 a tonne, means pulp prices will have nearly doubled from their $390 at the end of last year.

The rebound from 1993's exceptionally low levels has been driven by wood shortages, rising demand, and inventory build-ups.

A number of North American and European pulp producers have recently announced price rises as part of a general industry drive to take advantage of rising demand and economic recovery. The weaker dollar helped to trigger the latest increase.

Mr Lennart Holm, president of Stora Cell, the group's pulp unit, said he expected pulp prices to continue rising next year, although at a slower pace.

"We think that the price will climb to $840 to $850 per tonne by the end of next year," he stated. Prices peaked during the last cycle at $840 a tonne in 1989.

Stora is also increasing the price of bleached short-fibre birch and eucalyptus pulp by Ecu30 to Ecu580 (£455) a tonne.

Amoco begins drilling for Silesian coal bed methane

By Christopher Bobinski in Warsaw

Amoco, the US oil and gas company, has begun exploratory drilling for coal bed methane gas in Poland's Silesian region, where reserves are estimated at between 400bn and 600bn cubic metres.

Success would enable Poland to cut its dependence on Russian natural gas imports and boost the share of gas in overall energy consumption from a present low of 8 per cent.

Amoco won its concession on a 500 sq km plot in the summer of last year but delayed drilling until Poland agreed in August to extend tax breaks allowing the company to recoup initial costs with future profits. The company says it will invest between $150m and $200m on developing the gas if the exploration is successful.

Mr Michal Wilczynski, a deputy minister responsible for energy resources, is confident that the present exploration effort will produce 5bn cu m of coal bed methane a year by the turn of the century.

Poland at present consumes about 12bn cu m of natural gas a year, of whicb balf is imported from Russia.

Metanel, a Polisb company controlled by Elektrim, a listed energy and telecommunications equipment company, began exploration work in the same region last summer in a programme covering seven wells at a cost of 120bn zlotys (US$5m).

Amoco has promised to drill 15 wells at a cost of $10m over three years. Ten per cent of the cost of the programme is being financed by the International Finance Corporation, the World Bank's private sector affiliate.

MARKET REPORT

Copper prices bounce to 4-year highs

COPPER prices bounced to four year highs at the London Metal Exchange yesterday after absorbing a morning bout of selling associated with the approach of "third Wednesday" option declarations.

With that out of the way, buyers crowded back into the market, pushing the three months delivery contract to a four-year high of $2,751 a tonne at the close, up $68.50. Analyst Angus MacMillan of Billiton Metals explained that fundamentals remained supportive for copper, with stocks continuing to fall.

Other base metals followed copper's lead and all ended with substantial gains.

ALUMINIUM, bolstered by speculative buying and developing supply tightness, gained $28.50 at $1,183 a tonne for three months delivery.

COFFEE futures pared gains to end sharply lower on mixed selling triggered by stop-loss selling orders in both New York and London and higher exports from Brazil.

Compiled from Reuters

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1868.5-69.5	1182.5-83.5
Previous	1841-42	1854-55
High/low		1877/1851
AM Official	1847.5-48.0	1866-67
Kerb close		1871-2
Open int.	261,066	
Total daily turnover	122,242	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1810-20	1850-55
Previous	1823-28	1853-55
High/low	1820/1818	1860/1850
AM Official	1805-10	1850-60
Kerb close		1850-5
Open int.	2,939	
Total daily turnover	613	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	666.5-67.5	684-85
Previous	663-64	680.5-81.0
High/low	664/663.5	687/681
AM Official	663.5-64.0	681-81.5
Kerb close		685-6
Open int.	43,640	
Total daily turnover	13,170	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7810-20	7635-40
Previous	7290-300	7410-20
High/low		7650/7430
AM Official	7385-90	7520-25
Kerb close		7630-40
Open int.	74,322	
Total daily turnover	20,881	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6225-35	6325-30
Previous	6140-50	6235-40
High/low		6360/6255
AM Official	6175-85	6270-80
Kerb close		6315-20
Open int.	20,812	
Total daily turnover	5,562	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1166.5-67.5	1192-92.5
Previous	1141-42	1165-66
High/low	1152	1193/1168
AM Official	1161-62	1176.5-77.0
Kerb close		1169-90
Open int.	110,782	
Total daily turnover	27,641	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2761-62	2750-52
Previous	2710.5-11.5	2682-83
High/low	2762/2705	2751/2675
AM Official	2740-50	2692-95
Kerb close		2747-8
Open int.	224,521	
Total daily turnover	159,772	

■ LME AM Official £/$ rate: 1.5604
LME Closing £/$ rate: 1.5683
Spot:1.5650 3 mths:1.5642 6 mths:1.5620 9 mths:1.5600

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Nov	128.35	+3.05	128.45	126.50	1,395	130
Dec	127.50	+3.05	127.90	125.25	33,091	4,266
Jan	126.70	+3.00	126.50	124.60	921	83
Feb	125.85	+2.55	125.60	125.60	578	10
Mar	125.00	+2.30	125.50	123.50	13,293	1,400
Apr	123.15	+2.15	-	-	663	28
Total					60,246	6,671

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	385.00-385.40	
Opening	384.80-385.20	
Morning fix	384.90	242.121
Afternoon fix	385.18	242.583
Day's High	385.30-385.60	
Day's Low	384.80-385.10	
Previous close	385.30-385.60	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.60	6 months	5.23
2 months	4.80	12 months	5.68
3 months	4.95		

Silver Fix	p/troy oz.	US cts equiv.
Spot	324.20	515.75
3 months	328.85	522.85
6 months	334.05	530.40
1 year	346.90	548.70
Gold Coins	**$ price**	**£ equiv.**
Krugerrand	387-390	243-246
Maple Leaf	395.75-386.25	
New Sovereign	90-93	57-60

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Nov	384.9	-	-	-	-	-
Dec	385.3	-0.4	386.2	385.1	74,448	10,619
Jan	387.0	-0.4	-	-	-	-
Feb	389.0	-0.4	390.0	388.8	24,385	871
Apr	392.7	-0.4	393.5	392.8	10,073	107
Jun	396.4	-0.4	397.2	396.1	10,553	54
Total					159,088	11,520

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Jan	414.7	+2.7	416.0	411.5	18,536	1,778
Apr	419.2	+2.7	420.5	417.0	7,165	149
Jul	423.6	+2.7	424.0	423.6	1,957	195
Oct	428.7	+2.7	-	-	500	-
Jan	431.7	+2.7	-	-	10	-
Total					28,168	2,122

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Dec	157.60	+1.40	158.00	157.00	3,794	484
Mar	158.50	+1.30	158.75	157.20	3,568	213
Jun	159.25	+1.30	-	-	496	5
Sep	160.00	+1.30	-	-	31	-
Total					7,879	702

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Nov	516.3	+1.1	-	-	2	2
Dec	517.5	+1.0	520.5	515.0	60,463	10,482
Jan	519.8	+1.0	520.0	520.0	87	2
Mar	525.9	+1.0	529.0	524.0	28,873	2,320
May	531.5	+1.0	534.5	530.5	5,960	127
Jul	538.0	+1.0	541.0	537.0	6,236	1,368
Total					122,088	18,235

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Dec	18.01	-0.03	18.06	17.89	84,191	50,113
Jan	18.03	-0.01	18.09	17.94	92,980	40,667
Feb	17.89	+0.03	18.03	17.88	41,342	12,695
Mar	17.93	+0.03	17.97	17.85	25,988	4,383
Apr	17.82	+0.07	17.92	17.80	17,456	1,467
May	17.50	+0.06	17.88	17.84	12,872	1,479
Total					384,843	118,378

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Dec	17.63	+0.17	17.65	17.33	60,039	22,923
Jan	16.97	+0.03	16.98	16.80	73,089	20,843
Feb	16.72	+0.05	16.77	16.62	23,276	4,056
Mar	16.55	+0.02	16.61	16.48	12,340	792
Apr	16.48	+0.03	16.48	16.46	5,571	135
May	16.37	-0.03	16.37	16.37	3,128	145
Total					188,702	48,958

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Dec	50.45	+0.05	50.56	50.15	38,886	13,843
Jan	50.95	+0.35	51.85	50.70	30,124	5,920
Feb	51.55	+0.15	51.55	51.25	23,852	3,351
Mar	51.25	+0.35	51.25	50.90	13,368	1,445
Apr	50.60	+0.25	-	-	8,051	219
May	50.05	+0.35	-	-	4,510	18
Total					154,122	24,843

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	153.50	-2.50	155.25	154.50	38,175	5,531
Jan	156.25	-2.25	156.75	156.00	23,269	3,258
Feb	156.25	-1.50	157.00	156.50	10,682	1,066
Mar	156.00	-1.25	158.75	156.25	8,261	411
Apr	154.50	-1.00	155.25	154.75	5,836	900
Jun	153.25	-1.00	153.75	153.25	714	187
Total					96,667	11,210

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Dec	1.725	-0.018	1.759	1.715	28,270	6,799
Jan	1.865	+0.011	1.895	1.855	25,621	3,653
Feb	1.885	+0.001	1.900	1.875	15,030	1,100
Mar	1.875	+0.006	1.875	1.865	12,718	495
Apr	1.840	+0.001	1.845	1.838	7,103	426
May	1.845	+0.004	1.850	1.840	6,933	469
Total					145,493	14,287

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Dec	58.55	+0.73	58.75	57.40	25,748	11,903
Jan	58.35	+0.39	58.40	55.70	20,989	6,088
Feb	55.20	+0.19	55.20	54.80	8,499	1,273
Mar	55.30	+0.14	55.10	55.10	4,204	243
Apr	58.20	-0.18	58.25	57.80	5,089	68
May	57.20	+0.15	57.20	56.70	1,686	9
Total					69,699	19,844

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	103.75	+0.50	103.75	102.80	446	61
Jan	104.40	+0.35	104.50	103.50	1,983	85
Mar	106.30	+0.25	106.30	105.50	1,637	37
May	108.30	+0.25	108.30	108.30	1,661	15
Jul	110.05	-	-	-	124	-
Sep	93.50	-	-	-	43	-
Total					6,476	206

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	380/6	+3/6	381/0	376/4	26,874	8,580
Mar	392/0	+3/0	392/4	388/0	28,196	6,223
May	368/6	+2/0	370/6	367/2	4,499	834
Jul	338/8	+1/6	339/0	335/4	11,238	2,432
Sep	342/6	+1/2	342/6	340/0	335	58
Dec	352/0	-	352/0	352/0	156	-
Total					71,305	19,127

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	217/0	-0/4	217/2	216/4	99,634	21,230
Mar	228/2	-0/6	228/6	228/0	74,176	8,056
May	235/4	-1/0	236/2	235/2	30,036	2,028
Jul	240/4	-1/0	241/0	240/0	39,053	3,995
Sep	245/2	-1/0	245/4	245/0	3,618	362
Dec	250/2	-0/6	250/2	249/4	19,225	1,832
Total					267,649	37,791

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	99.25	-	99.25	99.25	3	1
Jan	101.50	+0.25	101.50	101.25	478	8
Mar	103.50	+0.25	-	-	130	-
May	105.00	-	-	-	44	-
Sep	92.50	+0.50	-	-	20	-
Nov	94.40	+0.40	94.40	94.00	51	1
Total					726	8

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	556/6	+4/0	556/0	551/4	6,377	8,601
Jan	564/4	+3/2	565/0	560/4	55,990	30,726
Mar	574/0	+2/4	574/4	570/4	27,668	3,643
May	581/4	+2/2	582/0	578/2	14,426	1,307
Jul	588/8	+1/4	588/0	583/6	22,071	2,560
Aug	588/4	-0/2	590/2	587/0	1,695	404
Total					137,851	48,519

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	27.61	+0.24	27.70	27.27	35,429	10,057
Jan	26.58	+0.25	26.65	26.30	22,796	7,120
Mar	25.72	+0.14	25.85	25.50	17,842	5,856
May	25.03	+0.07	25.15	24.80	14,373	2,344
Jul	24.47	+0.14	24.62	24.30	8,139	4,209
Aug	24.20	+0.10	24.35	24.10	1,712	425
Total					107,432	32,557

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	159.1	+0.3	159.5	158.5	33,768	3,527
Jan	160.7	+0.3	161.1	160.1	20,726	3,149
Mar	164.6	-	165.3	164.5	18,652	1,769
May	169.2	+0.3	169.6	168.8	9,985	601
Jul	174.3	+0.4	174.3	173.5	10,005	1,799
Aug	176.1	+0.3	176.3	175.7	1,939	743
Total					102,287	13,161

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	105.0	-	-	-	-	-
Apr	244.5	+1.2	245.0	243.5	1,496	61
May	250.0	-	-	-	-	-
Jun	250.0	-	-	-	-	-
Total					1,496	61

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	1835	-8	1840	1835	262	23
Dec	1795	-	1800	1785	372	29
Jan	1710	-19	1725	1700	1,058	30
Apr	1645	-11	-	-	928	-
Jul	1490	-7	-	-	132	-
Jan	1610	-	-	-	17	-
Total					2,769	82

	Close	Prev
BFI	1830	1832

Tea
There was strong general demand this week, reports the Tea Brokers' Association. Landed colouy Assams were again well supported at fully firm rates. Plainer mediums met more enquiry and sometimes advanced but plainest North Indians lost 2 to 3p. Bright and colouy medium East Africans were generally fully firm although prices eased 2 to 3p by the close. Ceylon bop's lost ground but the remainder were about steady with more enquiry for pf's. Offshore good demand but at slightly easier rates. Quotations: best available; 185p/kg, nom good; 142p/kg, good medium; 122p/kg, medium; 112p/kg low medium; 86p, the highest price realised this week was 190p for an assam pd.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	941	-2	946	939	19,429	1,659
Mar	967	-2	973	963	43,242	1,045
May	975	-3	981	973	14,895	114
Jul	989	-3	989	989	6,620	3
Sep	1001	-4	1002	1001	12,686	118
Dec	1015	-3	1016	1015	9,751	51
Total					113,214	3,083

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	1247	-38	1276	1246	8,956	4,683
Mar	1306	-24	1324	1302	36,246	4,623
May	1337	-18	1348	1330	8,394	150
Jul	1360	-20	1369	1355	3,686	59
Sep	1383	-20	1388	1380	1,508	8
Dec	1413	-20	1426	1415	5,078	15
Total					69,975	9,518

■ COCOA (ICCO) (SDR's/tonne)

Nov 11	Price	Prev. day
Daily	968.95	963.03

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	3360	-70	3435	3360	374	8
Jan	3403	-68	3475	3389	10,465	2,121
Mar	3363	-59	3425	3343	7,400	1,213
May	3333	-60	3395	3325	3,194	744
Jul	3313	-50	3360	3313	1,866	14
Sep	3288	-65	-	-	2,108	-
Total					25,608	4,100

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	177.15	-6.80	184.50	177.00	8,364	2,681
Mar	182.15	-7.05	189.30	182.00	13,723	3,244
May	185.50	-8.00	161.60	185.50	5,455	304
Jul	180.75	-6.00	193.00	180.75	1,946	164
Sep	188.00	-6.00	193.00	188.00	1,024	80
Dec	188.75	-6.00	191.00	191.60	823	14
Total					31,466	6,594

■ COFFEE (ICO) (US cents/pound)

Nov 11	Price	Prev. day
Comp. daily	177.22	177.00
15 day average	178.30	178.90

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	13.00	-	-	-	-	-
Mar	13.85	+0.42	-	-	00	-
May	13.94	+0.34	-	-	580	-
Jun	13.78	+0.38	-	-	450	-
Total					1,100	-

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	387.00	-5.80	393.50	385.00	976	587
Mar	383.50	-1.50	384.50	380.00	9,949	1,966
May	378.50	-0.60	379.00	375.00	3,807	411
Aug	368.30	-1.30	368.30	365.10	2,801	373
Oct	341.00	-1.00	341.80	339.00	1,245	00
Dec	339.60	-	-	-	100	-
Total					18,794	3,397

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	13.88	+0.02	13.72	13.55	98,820	15,789
May	13.68	-	13.72	13.57	29,940	6,817
Jul	13.45	+0.08	13.47	13.34	16,293	4,725
Oct	12.85	+0.09	12.89	12.74	15,832	4,578
Mar	12.37	+0.07	12.38	12.31	3,192	660
May	12.30	+0.05	12.28	12.19	201	75
Total					166,229	34,729

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	73.50	+0.43	74.18	73.00	18,129	4,230
Mar	75.18	+0.23	75.75	75.00	20,781	3,593
May	76.35	+0.37	76.70	76.05	7,666	492
Jul	77.15	+0.35	77.50	76.80	4,809	232
Oct	71.20	+0.18	-	-	638	23
Dec	70.20	+0.20	70.20	69.90	3,169	98
Total					55,222	8,664

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	111.35	+0.30	112.30	111.35	232	18
Jan	115.10	+0.30	116.30	114.60	15,282	1,630
Mar	118.45	+0.18	118.70	118.35	5,535	384
May	121.45	-0.05	122.25	121.50	1,666	83
Jul	124.45	-0.05	-	-	615	1
Sep	126.95	-0.30	128.25	127.50	1,279	143
Total					26,881	2,530

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Nov 14	Nov 11	month ago	year ago
2133.1	2136.7	2060.7	1610.7

■ CRB Futures (Base: 1967=100)

Nov 11	Nov 10	month ago	year ago
233.64	233.88	228.26	221.64

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	70.900	-	71.000	70.700	28,908	6,825
Feb	69.850	-0.025	69.950	69.775	24,882	4,110
Apr	70.100	+0.125	70.150	69.875	15,626	1,209
Jun	65.875	+0.100	65.500	65.750	5,381	757
Aug	64.425	+0.050	64.450	64.300	1,655	106
Oct	65.200	+0.050	65.200	65.000	520	417
Total					76,978	1,718

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	33.900	+0.025	34.400	33.600	15,888	3,092
Feb	36.825	-0.350	37.350	36.725	11,994	1,980
Apr	37.700	+0.050	37.875	37.350	5,527	418
Jun	42.750	-0.075	42.850	42.400	2,835	429
Aug	42.400	-	42.450	42.050	592	30
Oct	39.425	+0.075	39.500	39.400	437	-
Total					38,083	5,984

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	41.350	+0.300	42.150	40.850	8,097	12405
Mar	41.575	+0.225	42.100	41.050	1,234	8
May	42.500	+0.175	43.350	42.250	340	12
Jul	43.250	-	43.800	42.800	361	8
Aug	42.250	+0.100	42.500	41.800	88	-
Total					10,120	1,357

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Feb	Apr	Feb	Apr
1800	123	145	52	70
1850	95	118	73	92
1900	72	95	99	117
■ COPPER (Grade A) LME	Feb	Apr	Feb	Apr
2600	187	164	44	95
2650	154	137	60	106
2700	125	114	81	133
■ COFFEE LCE	Jan	Mar	Jan	Mar
3400	183	261	180	298
3450	182	243	209	330
3500	144	227	241	364
■ COCOA LCE	Dec	Mar	Dec	Mar
925	18	72	2	30
950	4	58	13	41
975	-	45	34	53
■ BRENT CRUDE IPE	Nov	Jan	Nov	Jan
1650	-	74	-	36
1700	-	45	-	81
1750	-	28	-	91

LONDON SPOT MARKETS

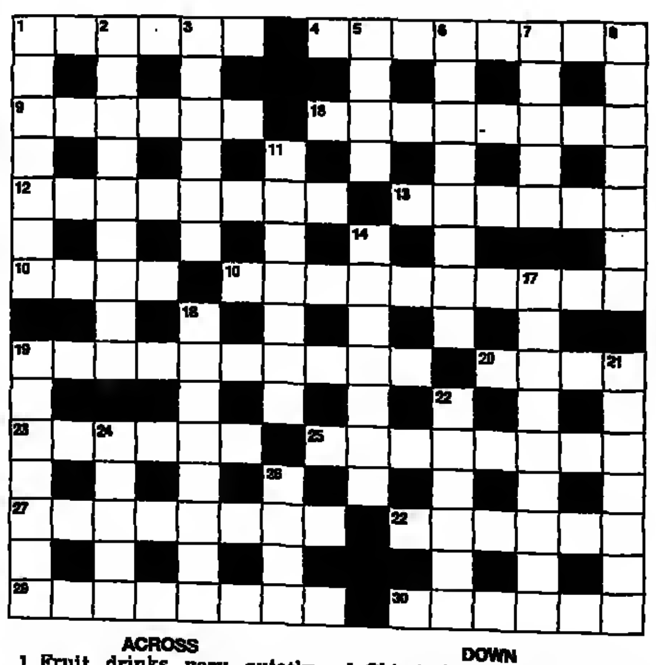
■ CRUDE OIL FOB (per barrel/Dec)		+or-
Dubai	$15.70-5.76z	-0.080
Brent Blend (dated)	$17.12-7.14	-0.140
Brent Blend (Jan)	$16.82-6.84	-0.085
W.T.I. (1pm est)	$18.82-6.84z	-0.090
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$173-175	+1
Gas Oil	$154-157	-2.8
Heavy Fuel Oil	$104-106	
Naphtha	$172-174	
Jet fuel	$180-181	-2
Diesel	$162-163	-1.5
Petroleum Argus. Tel. London (071) 359 8792		
■ OTHER		
Gold (per troy oz)♣	$385.20	-0.25
Silver (per troy oz)♣	017.5c	-2.0
Platinum (per troy oz.)	$412.05	+0.30
Palladium (per troy oz.)	$156.40	+0.15
Copper (US prod.)	129.0c	
Lead (US prod.)	40.75c	
Tin (Kuala Lumpur)	15.48r	+0.26
Tin (New York)	290.5c	+3.5
Cattle (live weight)†	116.78p	+0.98*
Sheep (live weight)†♠	102.46p	+3.52*
Pigs (live weight)	72.20p	-2.09*
Lon. day sugar (raw)	$336.50	+6.20
Lon. day sugar (wte)	$395.50	+11.50
Tate & Lyle export	£325.00	+6.00
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	132.0y	
Wheat (US Dark North)	165.0u	
Rubber (Dec)♥	86.25p	+0.50
Rubber (Jan)♥	85.75p	+0.50
Rubber (KL RSS No1 Jul)	342.5m	
Coconut Oil (Phil)§	$732.5q	+2.5
Palm Oil (Malay.)§	$730.0z	+15.0
Copra (Phil)§	$480.0v	+26.0
Soyabeans (US)	£163.0t	
Cotton Outlook'A' index	76.75c	+0.15
Wooltops (64s Super)	453p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Nov/Dec. v Nov/Dec. u Oct/Nov. z Jan. t Nov. q Dec/Jan♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week ⊕ Prices are for previous day.

JOTTER PAD

CROSSWORD

No.8,611 Set by DANTE



ACROSS

1 Fruit drinks very quietly brought in (6)
4 Outlook from carriage (8)
9 Hole at the front (6)
10 Missile launcher fitted to aircraft carriers (8)
12 Encouraging applause? (8)
13 Be dismissed but don't go? (4,2)
15 Objects to extremes (4)
16 She may provide flying courses (3-7)
19 Barmen? (10)
20 Brings back plans for canned meat (4)
23 Prescription for a sober man with a healthy heart (6)
25 Made up to appear calm (8)
27 Accomplished players, but not very bright (8)
28 Equip a girl for naval war service (6)
29 Spiteful woman urged to cast off sin (3-5)
30 Scholar right to approve of composer (6)

DOWN

1 Object of writing (7)
2 Not a genuine claimant? (9)
3 Call for more directions to the centre (6)
5 After tea make a half century or a duck (4)
6 How a bright idea comes to you? (2,1,5)
7 There's a lot of interest taken in it (5)
8 Nurse in bizarre sex case holds out (7)
11 Is set in this month's presses (4)
14 Smoked by the great man in bed (7)
17 How one takes a pawn, going by what the French say (2,7)
18 Prudent to some measure, he thinks he knows it all (8)
19 Page fasteners? (7)
21 Urchin lad wandering in the gloom (7)
22 Luggage sent up to a place in Greece (6)
24 Always uplifted after a key note (5)
26 Drink it as a cocktail (4)

Solution to Saturday's prize puzzle on Saturday November 26.
Solution to yesterday's prize puzzle on Monday November 28.

هكذا من الأصل

LONDON STOCK EXCHANGE

MARKET REPORT

Late buying surge sees Footsie approach 3,100

By Steve Thompson

Strong support for the dollar and international bonds ahead of today's crucial decisien on the course of US interest rates encouraged London's equity market to launch another attack on the 3,100 mark on the FT-SE 100 Index.

The late flurry ef buying across most internatienal markets prodnced a surge of support for the Footsie future and drove the cash market to the day's best level at the clese. The FT-SE 100 settled 19.4 higher at 3,095.3. And dealers were hopeful of another good showing by UK equities when the market opens this morning.

Some dealers harboured suspicions tbat activity in specialist derivative products, involving specially tailored options, could have played a significant part in the late drive by leading stocks. Activity in these deals has played an increasingly large part in the London market in the past 12 months.

Aiding the much improved mood in the market was news of a possible merger involving two big UK cempanies, Jehnsen Matthey and Cookson, which could produce a £2.5bn new entrant for the FT-SE 100 Index, and more highly encouraging news on the dividend front from the leading UK companies as Britisb Steel pleased the market with a top of the range interim payment.

One of the few minor disappointments fer the market was the level of turnover which, at 492.4m shares, continued the recent run of dismally low volumes. Last Friday saw the value of customer business just manage to creep above the £1bn mark.

Turnover in non-FT-SE 100 stocks accounted for 302m shares, more than 61 per cent of the day's total. Second line stocks failed te register any significant gains, however, with the FT-SE Mid 250 Index ending just 1.6 firmer at 3,538.1.

Big gains in the leaders at the close were a reversal of the early trend in the market, when prices slipped away on very low volume as dealers became increasingly nervous ahead of today's FOMC meeting at which the Federal Reserve is expected to hoist its Fed Funds rate for the sixth time this year.

A 50 basis-point rise is viewed as the very minimum the markets would take as acceptable if the Fed is to be seen as maintaining a responsible attitude to containing US inflationary trends. Many analysts would prefer a rise of 75 basis points and many would like to see rates increased by a full point.

The first ef a big batcb of economic numbers from both sides of the Atlantic, UK producer prices, were broadly as expected and played little part in determining events in the market. Along with the outcome of the FOMC meeting today brings US retail sales numbers, industrial production details and capacity utilisation figures.

At its worst, shortly before midday, the FT-SE 100 was down 6.4 and being strangled by lack of interest. Sentiment began to improve over lunchtime, however, with the stronger dollar and a firm opening by Wall Street prompting keen demand across Europe.

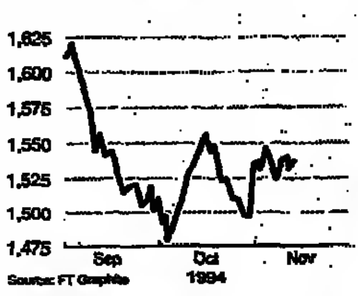
"The sellers dried up and the futures boys moved in," said one senior trader, who added that the market was in a bullish mood at the close.

There was heavy turnover in the banks, where switching out of Barclays was said te have driven Natienal Westminster and etber leading clearers better. Lloyds were lifted by a recommendation from Kleinwort Benson.

Vodafone took the accolade as the FT-SE 100's best individual perfermer, responding to increasing optimism over next week's interim figures.

The English pewer generators moved ahead confidently, with the market looking for the companies to fulfil high expectatiens for their respective interim dividends. Payments in excess of 20 per cent are being sought by the sector's bulls.

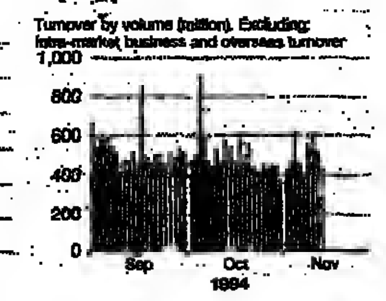
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3095.3	+19.4	FT Ordinary index	2379.7	+14.7
FT-SE Mid 250	3538.1	+1.6	FT-SE-A Non Fins p/e	18.67	(18.60)
FT-SE-A 350	1552.4	+7.7	FT-SE 100 Fut Dec	3099.0	+21.0
FT-SE-A All-Share	1537.31	+6.92	10 yr Gilt yield	8.68	(8.74)
FT-SE-A All-Share yield	3.95	(3.96)	Long gilt/equity yld ratio:	2.23	(2.23)

Best performing sectors		Worst performing sectors	
1 Life Assurance	+1.6	1 Building & Const	-0.6
2 Diversified Inds.	+1.2	2 Textiles & Appa	-0.4
3 Other Ser. & Bus.	+1.1	3 Water	-0.4
4 Pharmaceuticals	+1.0	4 Breweries	-0.3
5 Telecommunications	+1.0	5 Household Goods	-0.2

ICI gets triple boost

Chemicals leader ICI was one of the stronger perfermers among the FT-SE 100 constituents yesterday as the company's joint broker turned bullish and the market focused en the phenomenal rises in raw materials ef which ICI is the main UK manufacturer. Also, investors picked np international earners ahead of an expected US decision en interest rates.

ICI climbed 16 to 771p.

Broker S.G. Warburg joined the majority of UK investment houses by moving to "buy" from "hold". Analyst Mr Paul Milchrist refused to comment on the rationale behind the move, but it was believed to have been prompted by the fall in the share price since third-quarter figures in October that were accompanied by a sharply raised earnings forecast.

The shares received a further boost from comments made during the profits announcement from Wardle Storeys, a big user of PVC.

The company, which makes items such as trim and seat-covering for the car industry, said it had budgeted for price rises ef at least 40 per cent in the six months from the start of September, and Wardle fell 24 to 371p on concern over the squeeze in profit margins.

ICI's involvement in PVC is modest, but analysts responded to the everall boom in commodities – Smith New Court expressed its support at the afternoon meeting.

Finally, many investors were aligbting en leading dollar earners in anticipation that the US Federal Open Market Committee might raise its key Fed Funds rate today. Any increase will stimulate support for the US currency.

Dollar strength also helped pharmaceuticals group Glaxo bounce 10½ to 619p. The shares were further encouraged by reports that a new anti-viral drug being developed by the company had been effective in fighting Hepatitis B.

Eurotunnel support

Caught up in first day euphoria – direct running between London and the Continent started officially yesterday – Eurotunnel jumped 17 to 270p amid heavy buying from Paris and en talk that several big US hedge funds which target high risk/high reward issues have been chasing the shares.

Their recent performance bas led te bead scratching among London analysts, with the group looking increasingly set to miss its own severely downgraded revenues forecast for this year. The investment approacb in France has been less fundamentally based, however.

Turnover in Paris yesterday was 3.75m shares, more than three times tbe London volume. Eurotunnel, under 200p less than five weeks ago, is now 5 in excess of this year's rights issue price.

British Steel active

Paying little attention to the better than expected interim results, Britisb Steel put on a penny at 159½p with a lively 14m traded as the market continued to peer anxiously ahead to the next cyclical downturn for the group.

Having outperfermed the market by mere than 50 per cent over the past year, the shares have hit the buffers in recent weeks, lagging slightly on a one-month view as fears for a cyclical profits reversal sometime in 1996-97 have taken hold.

Cable and Wireless was marginally easier at 383½p as worries about the company's Mercury unit continued to dog the shares. There was 5.8m turnover yesterday as Robert Fleming Securities reiterated its sell note.

In contrast, mebile communications group Vodafone powered ahead in no less than 6.7m shares traded, rising 9¼ te 217½p in advance of what is universally expected to be a bumper set of results early next week.

Consumer products retailer Boots attracted attention after it confirmed that it had agreed in principle to sell its pharmaceuticals division to BASF, the German chemicals and drugs group, for £850m.

The company was generally thought to have negotiated a good price for the sale, although more optimistic analysts were left slightly disappointed, having anticipated a sale price £50m higher.

The move ended months of speculation ever what one analyst called "the world's worst kept secret". After an initial retreat, the ahares closed at 513p ex-dividend as analysts turned their attention to how the group would use the proceeds of the sala. A share buy-back operation was seen as the most likely move.

High street bank Lloyds jumped 13 to 580½p as dealers said Kleinwort Benson was poised to release a positive note on the clearer. HSBC rose 7 to 728p on a James Capel recommendation and Barclays was restrained by a repetition of UBS's long term caution.

Precious metals, car parts and materials technology group Johnson Matthey put on 10 at 581p as analysts reacted enthusiastically to a possible merger with metals and plastic business Cookson Group. The potential deal was described as an important strategic fit. Cookson firmed 1 to 252p.

British Aerospace gained 2¼ at 463½p following news of a potential $1bn aircraft order. The group has won a $420m order for 25 Jetstream 41s with an option on a further 35.

Talk continued that Unigate was planning to buy unlisted Dairy Crest, the UK's biggest cheese maker. Unigate shares eased a penny to 358p, although analysts warned that such a takeover could spark a Monopolies and Mergers Commission investigation.

Wm Morrison Supermarkets saw turnover of 7.5m as the shares hardened a penny te 140p. The day's trading in the stock included a line of around 1m shares switched from J. Sainsbury, which closed at 419¼p xd after trade of 3.2m.

High street retailer W.H. Smith closed 3 lower at 453p, with Nomura said to have reduced its current-year profits estimate by £5m to £140m due to difficulties in trading. Negative press reports on jewellery and luxury products group Asprey saw the shares surrender 11 to 146p.

Cbemicals group BOC improved 6 to 710p ahead of figures expected today.

Howaver, much of the sector was restrained by concern over companies' inability to pass on the price of raw materials to customers fellowing Wardle Storey's figures. British Vita retreated 7 to 222p.

Monument Oil & Gas received support from an in-depth analysis of the sector published by Smith New Court. The shares were firm at 69p.

MARKET REPORTERS:
Peter John,
Joel Kibazo,
Jeffrey Brown.

■ Other statistics, Page 26

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (18).
BUILDING & CNSTRN (1) Pochins, DISTRIBUTORS (1) Finelist, ELECTRNC & ELECT EQUP (2) Encason (LM), Magnum Power, ENGINEERING (3) Baynes (C), Spirax–Sarco, Wellman, ENG. VEHICLES (1) Honda Motor, EXTRACTIVE INDS (2) Caledonia Mining, Reunion Mining, INVESTMENT TRUSTS (1) JF Asia Select, LEISURE & HOTELS (1) London Clubs, LIFE ASSURANCE (1) Liberty Life Assoc. of Africa, OIL EXPLORATION & PROD (1) Int'l. Petroleum, PHARMACEUTICALS (1) Astra, RETAILERS, GENERAL (1) Goldsmiths, SUPPORT SERVS (1) Rolfe & Nolan, AMERICANS (1) Amer. Cyanamid.
NEW LOWS (83).
GILTS (1) BREWERIES (1) Kirin, BUILDING & CNSTRN (4) AMEC, Do 6½p Prf., Boot (H), Gleeson (MJ), BLDG MATLS & MCHTS (2) British Dredging, Lilleshall 9pc Prf., CHEMICALS (2) BTP, Metrotect Inds., DISTRIBUTORS (8) Caffyns, Diploma, Headlam, Quicks, SEP Ind'l., Do Prfd., Wholesale Fittings, Wills, ELECTRNC & ELECT EQUP (1) Roxboro, ENGINEERING (4) Ash & Lacy, GBE Int'l., Morgan Crucible 7½pc Prf., Richardson Westgarth, EXTRACTIVE INDS (3) Gold Mines Australia, Minmet, Orion Res., HEALTH CARE (4) AAH, Amersham Int'l., Greenacre, Polymedica, INSURANCE (2) JIB, Lowndes Lambert, INVESTMENT TRUSTS (14) INVESTMENT COMPANIES (1) AAF Inds., LEISURE & HOTELS (2) Alpha Airports, Barr & WAT A, Kunick 8½p Prf., MEDIA (1) Midland Ind. News., MERCHANT BANKS (2) Barings 8pc 2nd Prf., Do 9¾pc Non-Cum. Prf., OTHER FINANCIAL (5) Exco, Intrum Justitia, Oceana Consld., Towry Law, Union, PRTNG, PAPER & PACKG (2) Ferry Pickering, Sarll, PROPERTY (8) Asda Prop. 5½p Cv Pf., Cardiff Prop., Ex-Lands 7¾pc Cv 2020, London Ind'l., Olives Prop., PSIT, Southend Prop., Do Wts., RETAILERS, FOOD (1) Geest, RETAILERS, GENERAL (3) Fine Art Devlpts., Partridge Fine Arts, Rhino, SPIRITS, WINES & CIDERS (2) Matthew Clark, Merrydown, SUPPORT SERVS (2) Hogg Robinson, JBA, TEXTILES & APPAREL (2) Beckman (A), Caldwell Invs., TRANSPORT (2) London & Overseas Freighters, P & O 6% Prf., AMERICANS (3) Dana Corp., Honeywell, Tenneco.

EQUITY FUTURES AND OPTIONS TRADING

Stock index futures moved higher yesterday, climbing back above 3,100, but trading volume remained woefully thin, writes Jeffrey Brown.

The market passed a listless morning but picked up once Wall Street came into the picture. There was a reasonabla two-way business from 3pm onwards but contract numbers stayed low.

The FT-SE 100 December contract was 3,101 at the close of put trading, up 28 points. Tha premium to tha cash market was around 13 points, with fair value soma 6 points.

A number of major houses, notably NatWest and GNI, were in action during tha afternoon but contract numbers totalled just 8,545, little better than tha 8,073 traded on Friday when large parts of the Continent were closed.

In late, screen trading the December future moved ahead a few more points to 3,108 but again there was no real enthusiasm, with contract numbers for the day staying under 10,000.

Stock eption activity was also little changed from Friday, with 31,163 contracts dealt, against 31,129. FT-SE and Euro FT-SE business accounted for 23,000 lots.

Lonrho was again far and away the busiest Individual stock option, turning over 2,350 lots. J. Sainsbury (855 contracts) and BT (530) were also active.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3078.0	3099.0	+21.0	3108.0	3065.0	9696	53648
Mar		3115.5	+21.0			0	4539
Jun		3136.0	+16.0			0	80

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

Dec	3535.0	3542.5	+7.5	3585.0	3535.0	12	4167

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

Dec	-	3548.0	-	-	-	-	0

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3097) £10 per full index point

	2900 C	2900 P	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P
Nov	197	1	148½	1½	99	3½	54½	10½	22½	29	6	66½	1½	118	1	166
Dec	213	14	172	22½	134½	35	98½	50	69	72½	46½	101	29	134½	16½	174½
Jan	236	33	201½	45½	165	58½	133	76½	102½	97	76½	122½	55½	152½	39½	188
Feb	256	40	220	54	183½	67½	152½	86½	123½	107½	97½	133½	77	163½	58	196½
Jun†	299	72½			232	105½			171½	144			127½	199½		

Calls 5,459 Puts 10,558

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2925 C	2925 P	2975 C	2975 P	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P	3275 C	3275 P
Nov	170	1	121½	2	76½	6	37½	18	13	43½	2½	83	1	131	1	180½
Dec	192	18½	151½	28	115½	42	84	86	57½	83½	38½	112	21	146½	12	186½
Jan	213½	33	178	47	143½	62	115	83	89	106	68	135	48	165½	36	201½
Mar	243½	57			175	86½			119	128½			77	184		
Jun†	282½	79			218½	111½			162	151½			115	201		

Calls 1,419 Puts 5,264 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3400	3450	3500	3550	3600	3650	3700	3750
Oct			114 49	85 71½	61¼ 99			

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

FT-SE Actuaries Share Indices — The UK Series

	Nov 14	Day's chge%	Nov 11	Nov 10	Nov 9	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3095.3	+0.5	3075.9	3103.5	3099.8	3093.3	4.12	7.06	18.74	114.68	1175.92
FT-SE Mid 250●	3538.1	—	3536.5	3542.6	3533.3	3416.5	3.55	5.61	20.75	120.69	1325.54
FT-SE Mid 250 ex Inv Trusts●	3541.6	—	3540.3	3545.2	3533.5	3412.9	3.70	6.29	19.33	125.77	1324.45
FT-SE-A 350●	1552.4	+0.5	1544.7	1556.0	1553.6	1539.6	3.99	6.77	17.51	56.49	1206.58
FT-SE SmallCap	1777.92	-0.1	1780.02	1782.13	1781.83	1762.91	3.33	5.01	25.17	51.24	1384.94
FT-SE SmallCap ex Inv Trusts	1746.46	-0.1	1748.96	1750.96	1760.05	1744.54	3.53	5.58	22.93	53.25	1364.81
FT-SE-A ALL-SHARE●	1537.31	+0.6	1530.39	1540.93	1538.63	1524.77	3.95	6.65	17.89	55.18	1215.37

■ FT-SE Actuaries All-Share

	Nov 14	Day's chge%	Nov 11	Nov 10	Nov 9	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(18)	2676.00	+0.8	2667.85	2701.97	2715.96	2409.90	3.52	5.11	24.74	89.83	1060.35
12 Extractive Industries(4)	3788.62	+0.6	3767.55	3803.43	3794.63	3031.00	3.39	5.42	22.83	98.62	1045.44
15 Oil, Integrated(3)	2646.52	+0.3	2638.67	2676.84	2695.54	2411.40	3.68	5.68	21.94	96.44	1082.90
16 Oil Exploration & Prod(11)	1863.42	-0.2	1866.74	1871.52	1876.87	1857.30	2.23	‡	‡	38.03	1078.14
20 GEN MANUFACTURERS(267)	1882.33	+0.5	1873.82	1881.26	1674.80	1891.60	4.06	5.11	23.74	66.97	963.47
21 Building & Construction(33)	1047.19	-0.6	1053.67	1057.59	1060.10	1126.40	3.79	5.35	24.59	36.57	825.57
22 Building Matls & Merchs(32)	1853.53	-0.1	1855.33	1857.79	1844.59	1853.60	4.02	5.24	23.14	70.57	879.67
23 Chemicals(23)	2297.94	+0.9	2278.94	2289.05	2277.45	2153.90	4.03	4.49	27.85	79.58	1018.74
24 Diversified Industrials(16)	1799.15	+1.2	1777.25	1794.75	1789.99	1968.78	5.09	5.12	23.48	82.75	925.30
25 Electronic & Elect Equip(34)	1881.45	-0.1	1884.25	1901.37	1892.00	2073.70	4.01	6.67	17.89	61.88	922.30
26 Engineering(71)	1619.90	+0.3	1614.24	1606.99	1606.14	1693.00	3.15	4.96	23.90	54.20	1045.14
27 Engineering, Vehicles(12)	2304.62	+0.4	2296.35	2292.49	2295.86	1971.90	4.34	1.51	80.00†	92.54	1127.23
28 Printing, Paper & Pckg(26)	2812.10	+0.5	2797.88	2804.76	2802.04	2387.50	3.07	5.37	21.77	77.09	1109.19
29 Textiles & Apparel(20)	1566.78	-0.4	1573.22	1574.34	1551.67	1690.30	4.80	6.91	17.75	61.29	894.14
30 CONSUMER GOODS(97)	2765.41	+0.5	2751.30	2775.05	2771.75	2740.00	4.35	7.27	15.88	111.21	957.27
31 Breweries(17)	2215.28	-0.3	2222.21	2238.36	2239.37	1995.50	4.27	7.77	15.62	81.47	982.55
32 Spirits, Wines & Ciders(10)	2836.28	+0.5	2822.50	2849.20	2860.36	2639.00	3.94	6.81	18.89	101.23	954.55
33 Food Manufacturers(23)	2286.63	+0.2	2281.78	2296.56	2299.56	2274.40	4.28	7.97	15.06	88.47	966.25
34 Household Goods(13)	2345.56	-0.2	2350.14	2354.79	2369.68	2617.70	3.90	7.74	15.46	89.98	849.42
36 Health Care(21)	1576.13	-0.1	1578.39	1583.56	1588.74	1664.40	3.21	3.42	41.17	48.24	918.27
37 Pharmaceuticals(12)	3092.94	+1.0	3061.11	3108.13	3085.99	3041.30	4.36	5.88	16.61	133.07	992.17
38 Tobacco(1)	3779.26	+0.6	3756.31	3754.12	3733.14	4326.00	5.74	9.10	11.81	217.07	862.09
40 SERVICES(219)	1906.24	+0.1	1905.60	1915.98	1906.53	1865.60	3.27	6.56	18.39	56.61	941.26
41 Distributors(30)	2501.36	-0.1	2504.13	2529.13	2546.03	2655.50	3.75	7.33	18.12	85.25	971.21
42 Leisure & Hotels(25)	2062.00	-0.1	2063.56	2065.77	2050.49	1899.50	3.36	4.78	24.57	57.69	1019.47
43 Media(36)	2858.83	+0.4	2844.76	2853.40	2854.72	2595.50	2.43	5.25	22.21	70.14	994.27
44 Retailers, Food(16)	1754.37	+0.8	1749.97	1760.23	1747.16	1512.90	3.72	8.13	13.54	58.32	1054.43
45 Retailers, General(45)	1605.87	+0.1	1604.96	1619.93	1604.74	1687.40	3.33	7.11	17.54	52.78	864.58
[illegible]											

■ Hourly movements

[illegible]

■ FT-SE Actuaries 350 Industry baskets

[illegible]

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	194	329½	+½
ASDA Group†	11,000	64¾	+1¼
Abbey National†	1,000	421	+4½
Albert Fisher	203	43	
Allied Domecq†	220	567	+4
Anglian Water	599	502	-2
Argos	89	339	-1
Argyll Group†	2,900	269½	+4
[illegible]			

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul	Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
Allied Domecq	550	51	60½	67½	4½	11	19½	Hanson	220	13	17	20½	-	6¼	9½
[illegible]															

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	49	13	6
Other Fixed Interest	0	3	11
Mineral Extraction	67	51	76
General Manufacturers	128	129	373
Consumer Goods	39	39	109
Services	78	86	330
Utilities	13	19	13
Financials	113	63	188
Investment Trusts	63	47	365
Others	55	29	80
Totals	605	478	1496

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	November 7	Expiry	February 6
Last Dealings	November 18	Settlement	February 23

Calls: Explaura, Eurotunnel Wts, Flextech, Lister, Tullow Oil, Waverley Mining, Wembley, Wilshaw.

LONDON RECENT ISSUES: EQUITIES

[illegible]

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994 High	1994 Low	Stock	Closing price p	+or-
20	Nil	9/12	4½pm	1pm	Bullers	1pm	
310	Nil	20/12	41pm	25pm	Kenwood Appl	25pm	
27	Nil	28/11	3½pm	2½pm	Martin Intl	3pm	
500	Nil	12/12	50pm	16pm	Matthew Clark	16pm	+2
25	Nil	22/11	¼pm	¼pm	Novo	¼pm	
5	Nil	15/11	2½pm	½pm	‡Union Square	½pm	

FINANCIAL TIMES EQUITY INDICES

	Nov 14	Nov 11	Nov 10	Nov 9	Nov 8	Yr ago	*High	*Low
Ordinary Share	2379.7	2365.0	2384.1	2376.8	2348.5	2346.4	2713.6	2240.6
Ord. div. yield	4.35	4.37	4.34	4.35	4.40	3.96	4.61	3.43
Earn. yld. % full	6.38	6.34	6.29	6.31	6.39	4.62	6.91	3.82
P/E ratio net	18.34	18.23	18.39	18.31	18.10	27.11	33.43	16.94
P/E ratio nil	17.89	17.78	17.93	17.86	17.86	25.14	30.80	17.09

*For 1994. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35. ‡Corrected values.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2360.9	2368.8	2368.4	2361.0	2362.4	2362.4	2363.1	2368.0	2370.4	2379.7	2360.6

	Nov 14	Nov 11	Nov 10	Nov 9	Nov 8	Yr ago
SEAQ bargains	25,659	23,387	24,490	26,796	22,075	28,523
Equity turnover (£m)†	-	1080.0	1139.2	1676.7	1072.1	1080.0
Equity bargains†	-	27,230	29,443	29,198	24,813	32,028
Shares traded (ml)†	-	435.4	521.3	613.1	557.5	472.1

†Excluding intra-market business and overseas turnover.

FT GOLD MINES INDEX

[illegible]

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or –	1994 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl	□	£22⅞	–⅛	£29½	£19⅞	6,769	5.6	♦
ANZ A$		173	–3	278¾	171	2,302	5.5	26.1
Abbey National	†N□	421	+4½	523	380½	5,523	4.0	14.2
Allied Irish £	♣†N□	248	—	314	233	1,553	5.1	9.5
Anglo Irish £	N□	62	—	*70	66	176.9	8.3	9.5
Asahi Y	□	658¼	+1¼	819¼	628	15,287	6.7	♦
Banco Bil Viz Pta	□	£16⅞	+⅛	£19½	£14⅛	3,771	8.6	7.4
Banco Sant Pta		£27⅞	—	*£30½	£23¾	4,696	8.3	9.8
Bk Ireland I£	♣†N□	293	+1	*319	246	1,342	5.2	8.1
Bank Scotland	♣†N□	216½xd	+7	247	172½	2,526	3.1	12.2
9¼pc Pf		107¼xd	—	141½	106	167.2	10.8	–
9¾pc Pf		112¾xd	—	148½	111¼	112.2	16.0	–
Barclays	♣†N□	605½	–1	640	487	9,889	3.4	18.7
Dai Ichi Kan Y	□	£11	+⅛	£12¾	£10⅛	34,389	0.5	–
Deutsche DM	□	£308⅞	+1½	£344¼	£270⅞	14,730	2.2	–
Espirito Santo	□	£8⅞	–⅛	*£13½	£7⅞	165.5	4.4	4.4
First Nat Fin	N□	65½	–1	*90	60	110.6	2.9	–
6.3pc Cv Pf		71	—	*90	70	4.77	11.1	–
7pc Cv Pf		120	—	171	123	59.3	7.0	–
Fuji Bank Y	□	1288½	–7	1549¼	1152½	37,328	0.4	♦
HSBC HK	†N□	781½xd	+7	1133	680	12,801	4.2	10.8
HSBC (75p Shs)	†N□	728xd	+7	1113	680	6,196	4.3	10.5
Lloyds	†N□	580½	+13	680	519	7,528	5.0	11.4
Mitsubishi Y	□	£13⅞	+⅛	£18⅞	£13⅞	40,062	0.4	♦
Mits Tst & Bk Y	□	843	–22½	1162¼	687½	16,121	9.8	13.3
Mitsui Tst & Bk Y	□	644¼	–6¾	879	514	7,719	8.6	21.5
Nat Aust A$	†	487	+4	620¼	472	6,869	5.6	10.5
NatWest	†N□	621½	+6½	622	421	8,922	4.7	9.7
Ottomane FFr		£21¼	—	£33	£21¼	198.2	0.8	♦
Ryl Bk Scotland	♣†N□	469½	–1½	526	377½	3,576	3.4	20.2
Sakura Y	□	£9⅞	–⅛	£12⅞	£8⅞	27,572	0.7	50.9
Sanwa Y	□	£12⅞	—	£15⅞	£11⅞	35,331	0.5	–
Standard Chartd	†N□	287	+1	*359½	223	2,793	2.9	9.9

CHEMICALS

BREWERIES

DISTRIBUTORS

BUILDING & CONSTRUCTION

DIVERSIFIED INDUSTRIALS

BUILDING MATS. & MERCHANTS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL EXPLORATION & PRODUCTION - Cont.

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	1994 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£29¾		£30	£13½	1,932	2.5	21.7
Barlow	‡Z	£43½	+⅛	£51½	£31¼	891.9	0.8	-
Gold Flds Prop R		118xa		120	75	12.1	7.9	ϕ
MK Props		66		60	65	3.02	12.8	-
SASOL	♥	523		582	280	3,063	2.7	-
SA Brews	†	815½	+½	£18⅞	£16	4,243	1.8	23.8
Tiger Oats		713	+15	838	538	1,072	2.1	ϕ
Tongaat-Hulett	h	675		*695	356¼	615.2	1.8	18.8

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ☐ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Rule 4.2(a) UK & Irish incorporated non-listed companies.
- ∆ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ∮ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♦ Unregulated collective investment scheme.

N Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
H Rights issue pending
q Earnings based on preliminary figures
S Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
a Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xb ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

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FT Cityline

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

Jupiter Tyndall (Bermuda) Ltd

Newport Investment Management

GUERNSEY (SIB RECOGNISED)

AIB Investment Managers (Guernsey) Ltd

Lazard Freres Asset Management (CI) Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Lloyds Intl Money Market Fund Ltd

M G G (Guernsey) Ltd

Prudential Fund Managers (Guernsey) Ltd

Rothschild Asset Management (CI) Ltd

Royal Bk of Canada O/S Fd Mgrs Ltd

Sarasin Funds Mngmt (Guernsey) Ltd

Schroder Investment Management (Guernsey) Ltd

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

Apollo Investment Management Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Bachmann Global Investment Fund Ltd

Bellevue Management (Guernsey) Ltd

CIBC Fund Managers (Guernsey) Ltd

Dantrust Management (Guernsey) Ltd

Global Portfolio Management (Guernsey) Ltd

Hambros Fund Managers (CI) Ltd

Havelet Throgmorton Mngmt Ltd

IPS (Guernsey) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Fund Managers (CI) Ltd

Lazard Freres Asset Management (CI) Ltd

Lloyds Bank Fund Managers (Guernsey) Ltd

Merrill Lynch Guernsey

Nikko Capital Mngt (Europe) Ltd

Quilter International Management Ltd

Rothschild Asset Mngmt (CI) Ltd

Singer & Friedlander Inv Funds Ltd - Contd.

Sovereign International (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

UBK Asset Management (Guernsey) Ltd

White Fargo Nikko Inv Adv Gsy Ltd

IRELAND (REGULATED)(**)

AIB Fund Management Ltd

Apollo Fund Plc

Argenta European Hedge Fund plc

Asia Small Cos Growth Fund (a)

Asian Diversified Equity Fund Plc

Asian Emerging Markets Fund Plc

Asian Growth Fund Plc

BT Fund Managers (Ireland) Ltd (a)

Bank of Ireland Unit Managers Ltd

Baring International Fd Mngrs (Ireland) Ltd

Baring Mutual Fund Mngrs (Ireland) Ltd

Chemical Ireland Fund Administrators Ltd

Citizens Investment Trust Mngt Company

Dynamic Pacific Portfolio Fund Plc

Emerging Dynamic Fund Plc

F.I.T. Investment Trust Ltd (a)

Framlington Investment Mngt (Ireland) Ltd

Frank Russell Investments (Ireland) Ltd (a)

GAM Fund Management Ltd

GT Asset Management (Ireland) Ltd

Hambros Fund Managers (Ireland) Ltd

Kleinwort Benson Bond Arbitrage Fund Plc

Kleinwort Benson Capital Mngt (Ireland) Ltd

Korea Growth Fund

Korea Sprint Fund Plc

Morgan Grenfell Fund Managers (Ireland) Ltd

Old Mutual International Ltd

Orient Balanced Fund Plc

Pacific Growth Fund Ltd

Paine Webber Offshore Funds Plc (a)

Paribas Asset Management (Ireland) Ltd

J. Rothschild International Asset plc

IRELAND (SIB RECOGNISED)

BT Fund Managers (Ireland) Ltd

Barclays International Fd Managers (Ireland) Ltd

Coutts & Co Fund Managers Limited

Dresdner Intl Management Services Ltd

Dunedin Unit Trust Managers (Ireland) Ltd

Federated International Funds Plc (a)

The Fiduciary Trust Global Fund

GAM Fund Management Ltd

Morgan Grenfell Emerging Markets Fund Plc (a)

Morgan Grenfell Investment Funds Ltd (a)

Old Mutual International Fd Mngrs Ltd (a)

Profile International Fund Plc

Scottish Value Management (Ireland) Ltd (a)

Singer & Friedlander Inv Funds Ltd (a)

Savoy International (Ireland) Plc

Value Express Fund Plc

Yellow Sea Investment Company Plc

Yield Korea Fund

Peter Bank Investment Services

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mngrs (a)

Allied Dunbar Intl Fund Mngrs (1000)F

Asset Global Fund Plc

Singer & Friedlander Inv Funds Ltd

Bank of Ireland

Bank of Ireland International Portfolio

CMI Fund Managers (IoM) Ltd

Leopold Joseph Fund Mngrs (IoM) Ltd

Mercury Fund Managers (IoM) Ltd

Sun Life Management (IoM) Ltd

Unibank Scandinavian Fund Ltd

ISLE OF MAN (REGULATED)(**)

ATC Fund Management Ltd

AXA Equity & Law Intl Fund Mgs

Bank of Ireland Unit Managers Ltd

City Financial Admin (IoM) Ltd

Duncan Lawrie Inv. Mgt. Ltd

John Govett Management (IoM) Ltd

HB Fund Managers (IoM) Ltd

R & H Fund Managers Ltd

JERSEY (SIB RECOGNISED)

AIB Fund Managers (CI) Ltd

Barclays International Funds

Capital House Fund Mgrs (CI) Ltd (1000)H

Coutts & Co (Jersey) Fund Managers Ltd

John Govett (Channel Islands) Ltd (1000)F

Hill Samuel Fund Mngrs (Jsy) Ltd (a)

Lloyds Bank (CI) U/T Mgrs.

Midland Bank Fund Managers (Jersey) Ltd

Prudential Fund Managers (Jersey) Ltd

Royal Bank of Canada (Jsy) Fd Mgt Ltd (1400)F

Standard Bank Fund Mngrs (Jersey) Ltd

TSB Trust Funds (CI)

JERSEY (REGULATED)(**)

Barclays Intl Funds

Cater Allen Investment Management (CI)

Guinness International Asset Mngt Ltd (GIAM)

Citibank (CI) Ltd "Citifunds"

Coutts & Co (Jersey) Fund Managers Ltd

CBC Fund Managers (Jersey) Ltd

Fleming Group

Foreign & Colonial Mngmt (Jersey) Ltd

John Govett Management (Jersey) Ltd

INVESCO International Limited

Jupiter Tyndall (Jersey) Ltd

Lloyds Private Banking (CI) Ltd

Lombard Odier (Jersey) Ltd

Lombard Financial Services Limited

Northgate Unit Trt. Mngr. (Jersey) Ltd

Perpetual UT Mngrs (Jersey) Ltd

The Portugal Fund Limited

Royal Bank of Canada Intl Fd Mgt Ltd

Royal Bk of Scotland Fd Mngrs (Jersey) Ltd

Schroder Mngt Services (Jersey) Ltd

Scimitar Kemp-Gee Mngmt. Jersey

TSB Trust Funds (CI)

Warburg Asset Management Jersey Ltd

Worldinvest (Managers) Jersey Ltd

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds

Alltrust Fund Mngrs Luxembourg SA (a)

American Phoenix Investment Portfolios (a)

BAII International Fund

Bank Von Ernst & Cie AG

Banque Indosuez Luxembourg (a)

Capital International Fund (a)

Comgest SA

Commercial Union Luxembourg SA (a)

Cornercap Group (x)

DB Investment Management SA

Deutsche Bank

Dreyfus Intl Investment Fund

Eagle Star - Global Assets Fund (a)

Fidelity Funds (a)

Fleming Group (a)

Foreign & Colonial Emerging Markets Ltd (a)

Frontiersman I (a)

Gartmore Luxembourg SA (a)

Henderson Horizon Fund

Hyne Foreign & Colonial Port Fd Sicav(a)

INVESCO International Limited (a)

Kleinwort Benson Select Fund (a)

Lloyds Bank Luxembourg

Midland Intl Circuit Fund SICAV(a)

Nikko Japan Return Reversal Fund

Nomura Global Fund (a) (x)

PRECIA Worldwide Inv Portfolio Sicav (a)

Regent Global Fund (a) (x)

S-E-Banken Luxembourg SA

Save & Prosper International Fund

Schroder International Selection Fd (a)

Sun Life Global Management Ltd (a)

Templeton Global Strategy Funds

Touchstone Global Fund SICAV (a)

LUXEMBOURG (REGULATED)(**)

Actua International Umbrella Fund (a)

Alliance Capital

Asian Development Equity Fund

BAII International Fund

Banque Ferrier Lullin (Lux) SA

CB Fund International (a)

Capel-Cure Myers Intl Fd Sicav (a)

Citicorp Investment Mngt (Luxembourg) SA

Clements Korea Emerging Growth Fund

FT MANAGED FUNDS SERVICE

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	Selling Price	Buying Price	+ or -	Yield Gross
NICAM Asia Pacific Umbrella Fund				
Asia-Pacific	$15.54	15.85	—	—
Hong Kong	$14.14	14.44	—	—
Nikko Asia Convertible Bond Fund				
Nikko Asia Conv Bond NAV	$9.66		—	—
Nikko Bank (Luxembourg) S.A.				
US Index Fd-SICAV NAV	$10.12		—	—
Euro Index Fd NAV	Ecu12.09		—	—
Nomura Asian Infrastructure Fd SICAV				
NAV	$22.00		-0.05	—
Nomura Rosenberg Alpha Fund Mark II				
Portfolio A: NAV	$18.00		-0.11	—
Portfolio B: NAV	$17.35		-0.11	—
Pacific Basin Growth Fund				
NAV A Shs	$9.56		+0.04	—
NAV B Shs	$11.22		—	—
Rosenberg Global Mngt Co SA (u)				
Rosenberg Alpha Fund Global				
Portfolio A: NAV	$12.15		-0.01	—
Portfolio B: NAV	$14.97		-0.03	—
Rosenberg Management SA (u)				
Rosenberg Alpha Fund Yield				
Portfolio A: NAV	$10.38		+0.11	—
Portfolio B: NAV	$13.48		-0.01	—
Rosenberg US Japan Mngmt Co SA (u)				
Rosenberg Alpha Fund US Japan				
Portfolio A: NAV	$10.65		-0.04	—
Portfolio B: NAV	$13.37		-0.06	—

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

	Selling Price	Buying Price	+ or -	Yield Gross
Wellington Fd Mngrs (Bermuda) Ltd				
Intl Growth Fd	$18.56	17.30	-0.26	—
Wells Fargo U.S. IT Fund				
Worldwide Limited				
NAV Sep 30	$95.62		—	—
Xiphias International Investment Fd Ltd				
Yamaichi Capital Management (Guernsey) Ltd				
Thai Inv Fund	$21.72		—	—

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. (**) Funds not SIB recognised. The regulatory authorities for these funds are: Guernsey - Financial Services Commission; Ireland - Central Bank of Ireland; Isle of Man - Financial Supervision Commission; Jersey - Financial Services Department; Luxembourg - Institut Monétaire Luxembourgeois. Initial charge - Charge made on sale of units. Selling price - Bid or redemption price. Buying price - Offer or issue price. Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols: (✦) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. E - Exit charge on sale of units. C - Manager's periodic charge deducted from capital. H - Historic pricing F - Forward pricing. d - Distribution free of UK taxes. P - Periodic premium insurance plans. s - Single premium insurance. u - Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities). o - Offered price includes all expenses except agent's commission. x - Previous day's price. ✝ - Guernsey gross. ◆ - Yield before Jersey tax. † - Ex-subdivision. ‡ - Only available to charitable bodies. ⊕ - Yield column shows annualised rates of NAV increase. xd - Ex-dividend.

CURRENCIES AND MONEY

MARKETS REPORT

Krona moves centre stage after Swedish EU vote

The Swedish krona was the main mover on the foreign exchanges yesterday after a weekend referendum vote in favour of joining the European Union, *writes Philip Gawith.*

Although a "yes" vote had been largely discounted, the market still drove the krona to a high of SKr4.6530 against the D-Mark, from Friday's close of SKr4.75. Profit-taking then saw the currency ease back to SKr4.712 at the London close.

Also in the news was the French franc, where a further political resignation helped drive the currency to an eleven month low. It closed at FFr3.44, from FFr3.439.

Overall activity was fairly subdued, however, with most market attention focused on the meeting today in the US of the policy-making Federal Open Markets Committee. There is an overwhelming consensus in favour of the Fed raising the federal funds rate by 50 basis points, to 5.25 per cent.

With the D-Mark the victim of some selling pressure, the dollar ended firmer at DM1.5453, from DM1.528. Against the yen it finished at Y98.425 from Y97.5.

Some analysts fear, however, that this will not satisfy the market, leaving the dollar vulnerable to a sell-off.

Sterling had a quiet day, with the trade weighted index closing at 80.2 from 80.3.

■ After the initial bout of post-referendum euphoria, the market's attention returned to the underlying economic challenges facing Sweden, causing a small correction.

Mr Chris Turner, currency strategist at BZW, commented: "The krona is probably not going to appreciate much more from here, following the sharp run-up in the weeks ahead of the vote. People realise that joining the EU won't be the answer to many of their problems."

The key concern is whether the new government will succeed in putting its finances on a sounder footing. "They have to address the fiscal issue if they want to take part in monetary union," said Mr Adrian Cunningham, senior currency economist at UBS in London.

Although the prospect of EU membership is likely to serve as an inducement to tighten policy, the central bank's efforts to curb inflation could complicate this process. Mr Turner notes: "The central bank has shown itself happy to raise rates if sees inflation ahead, but that is not terribly consistent with trying to lessen the debt burden."

■ One of the catalysts for further French franc weakness was the weekend resignation of the co-operation minister Mr Michel Roussin, the latest in a string of corruption related departures.

"Is there another Italian job in the offing? That's what's bothering international investors," said Mr Peter Luxton, economist at MMS in London.

Mr Roussin's departure follows comments last week from Mr Jacques Chirac, a right-wing candidate for the presidency next year, that unsettled markets. He proposed a referendum on whether France would join a single currency arrangement, and also pledged to strive for full employment.

Mr Turner commented: "Once you get within six months of an election, as you are in France, politics becomes a much bigger issue for the markets."

■ Amid all the speculation about what the Fed may do today, a few facts are to hand. One concerns market expectations: the December and March eurodollar contracts on Liffe were trading at 93.97 and 93.46 yesterday, suggesting that the market is expecting rates to rise by around 125 basis points, from 4.75 per cent currently, by the end of the year, with a further 50 basis points tightening in the first quarter of 1995.

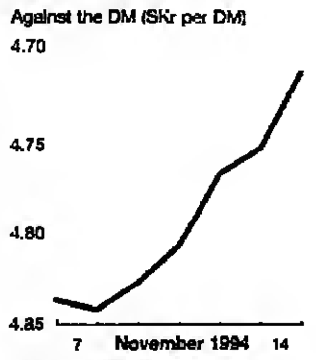
The other involves a bit of history. Citibank, in its latest currency comments, notes that the average cumulative increase in Fed funds, for any period of monetary tightening since 1960, is 530 basis points over an average time scale of 20 months.

"This implies a potential Fed funds target of 10 per cent by the end of 1995," says Citibank. "However, the current cycle features relatively lower levels of inflation and our best guess is that the Fed funds rate will move to 8 per cent over that time period."

■ The Bank of England provided UK money markets with £1.176bn assistance, at established rates, after forecasting a £1.15bn shortage. Overnight money traded between $3\frac{1}{2}$ per cent and $5\frac{1}{4}$ per cent.

Swedish Krona

Against the DM (SKr per DM)



Source: FT Graphite

■ **Pound in New York**

Nov 14	Latest	Prev. close
£ spot	1.5865	1.5969
1 mth	1.5862	1.5964
3 mth	1.5875	1.5959
1 yr	1.5797	1.5885

■ **OTHER CURRENCIES**

Nov 14	£	$
Hungary	173.486 - 173.733	109.498 - 109.590
Iran	2808.00 - 2803.00	1748.00 - 1750.00
Kuwait	0.4733 - 0.4743	0.2987 - 0.2992
Poland	37295.4 - 37349.8	23532.0 - 23560.0
Russia	4962.32 - 4967.07	3131.00 - 3134.00
U.A.E.	5.8129 - 5.8286	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Nov 14		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.2477	+0.0315	394 - 560	17.2890	17.1195	17.2434	0.3	17.2315	0.4	-	-	115.1
Belgium	(BFr)	50.3523	+0.0527	079 - 967	50.5590	50.2400	50.3223	0.7	50.2523	0.8	50.1123	0.5	117.0
Denmark	(DKr)	9.5677	+0.02	625 - 728	9.5932	9.5362	9.5652	0.3	9.56	-0.5	9.5595	0.1	116.9
Finland	(FM)	7.3803	-0.0555	706 - 900	7.4520	7.3470	-	-	-	-	-	-	89.8
France	(FFr)	8.4242	+0.0188	208 - 275	8.4511	8.3953	8.422	0.3	8.4143	0.5	8.3462	0.9	109.7
Germany	(DM)	2.4491	+0.0053	481 - 501	2.4571	2.4451	2.4477	0.7	2.4436	0.9	2.4113	1.5	126.1
Greece	(Dr)	377.127	+0.56	953 - 301	381.921	375.240	-	-	-	-	-	-	-
Ireland	(I£)	1.0189	+0.0018	162 - 196	1.0226	1.0168	1.0187	0.2	1.0184	0.2	1.0201	-0.1	104.8
Italy	(L)	2514.45	+10.35	302 - 587	2523.09	2501.21	2520.05	-2.7	2531.45	-2.7	2581.95	-2.7	74.1
Luxembourg	(LFr)	50.3526	+0.0527	079 - 967	50.5590	50.2400	50.3223	0.7	50.2523	0.8	50.1123	0.5	117.0
Netherlands	(Fl)	2.7465	+0.006	450 - 480	2.7538	2.7416	2.7451	0.6	2.7407	0.8	2.7062	1.5	120.7
Norway	(NKr)	10.7029	+0.02	978 - 079	10.7240	10.6800	10.7029	0.0	10.7046	-0.1	10.7035	0.0	85.6
Portugal	(Es)	249.622	+0.443	400 - 843	250.452	248.358	251.352	-8.3	254.532	-7.8	-	-	-
Spain	(Pta)	203.731	+0.373	640 - 822	204.270	203.206	204.051	-1.9	204.726	-2.0	207.341	-1.8	95.5
Sweden	(SKr)	11.5451	-0.0681	358 - 545	11.6218	11.4172	11.5641	-2.0	11.6066	-2.1	11.7511	-1.8	76.8
Switzerland	(SFr)	2.0575	+0.0091	562 - 588	2.0597	2.0496	2.0544	1.8	2.047	2.1	2.0047	2.6	121.4
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	80.2
Ecu	-	1.2861	+0.0021	855 - 867	1.2899	1.2827	1.2861	0.0	1.2862	0.0	1.2806	0.4	-
SDR†	-	0.921511	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5862	-0.0143	847 - 856	1.5965	1.5847	-	-	-	-	-	-	-
Brazil	(R)	1.3250	-0.0145	231 - 269	1.3332	1.3231	-	-	-	-	-	-	-
Canada	(C$)	2.1504	-0.0218	494 - 513	2.1675	2.1494	2.1494	0.6	2.1481	0.4	2.1467	0.2	87.1
Mexico	(New Peso)	5.4656	+0.0346	616 - 693	5.4926	5.4612	-	-	-	-	-	-	-
USA	($)	1.5849	-0.0145	845 - 853	1.5967	1.5845	1.5845	0.3	1.5839	0.3	1.5781	0.8	62.2
Pacific/Middle East/Africa													
Australia	(A$)	2.1097	-0.0157	084 - 109	2.1233	2.1084	2.1118	-1.2	2.1146	-0.8	2.1295	-0.8	-
Hong Kong	(HK$)	12.2495	-0.1109	456 - 534	12.3393	12.2456	12.2405	0.9	12.2362	0.4	12.191	0.5	-
India	(Rs)	49.7381	-0.4955	216 - 546	50.1440	48.7216	-	-	-	-	-	-	-
Japan	(Y)	155.994	+0.057	915 - 073	156.650	155.640	155.544	3.5	154.529	3.8	149.404	4.2	169.9
Malaysia	(M$)	4.0604	-0.0291	585 - 622	4.0828	4.0585	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5559	-0.02	532 - 586	2.5745	2.5532	2.5605	-2.2	2.5698	-2.2	2.5897	-1.3	-
Philippines	(Peso)	38.5131	+0.1286	241 - 021	38.8080	38.2500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.9443	-0.0545	425 - 460	5.9887	5.9425	-	-	-	-	-	-	-
Singapore	(S$)	2.3376	-0.0131	362 - 390	2.3495	2.3362	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.5840	-0.0477	814 - 866	5.6220	5.5814	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.5298	-0.0196	123 - 473	6.5659	6.5123	-	-	-	-	-	-	-
South Korea	(Won)	1263.25	-11.83	285 - 364	1272.89	1262.95	-	-	-	-	-	-	-
Taiwan	(T$)	41.5145	-0.2698	988 - 301	41.7143	41.4988	-	-	-	-	-	-	-
Thailand	(Bt)	39.6305	-0.2893	126 - 484	39.8470	39.6125	-	-	-	-	-	-	-

†SDR rates for Nov 11. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Nov 14		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	10.8825	+0.116	800 - 850	10.8850	10.8270	10.8825	0.0	10.8823	0.0	10.8075	0.7	104.4
Belgium	(BFr)	31.7700	+0.32	500 - 900	31.8000	31.5100	31.78	-0.4	31.7175	0.7	31.55	0.7	106.0
Denmark	(DKr)	6.0368	-0.067	350 - 385	6.0385	5.9814	6.0391	-0.5	6.0433	-0.4	6.0688	-0.5	105.4
Finland	(FM)	4.6567	+0.0074	517 - 616	4.6807	4.6225	4.6549	0.5	4.6522	0.4	4.6507	0.1	83.5
France	(FFr)	5.3153	-0.0598	145 - 160	5.3190	5.2655	5.3166	-0.3	5.3126	0.2	5.2978	0.3	106.1
Germany	(D)	1.5453	-0.0173	450 - 455	1.5480	1.5376	1.5442	0.5	1.5427	0.7	1.5288	1.1	107.1
Greece	(Dr)	237.950	+2.5	900 - 000	239.920	236.000	238.22	-1.4	238.775	-1.4	241.025	-1.3	68.3
Ireland	(I£)	1.5556	-0.0167	549 - 562	1.5700	1.5524	1.5555	0.0	1.5557	0.0	1.5426	0.8	-
Italy	(L)	1585.50	+20.6	600 - 700	1587.75	1567.95	1590.25	-2.6	1597.2	-2.7	1631.5	-2.6	74.7
Luxembourg	(LFr)	31.7700	+0.32	500 - 900	31.8000	31.5100	31.78	-0.4	31.7175	0.7	31.56	0.7	106.1
Netherlands	(Fl)	1.7329	-0.0194	324 - 334	1.7354	1.7195	1.7325	0.3	1.7305	0.6	1.7167	0.8	105.7
Norway	(NKr)	6.7530	-0.0735	515 - 545	6.7625	6.6847	6.7597	-1.2	6.7735	-1.2	6.8	-0.7	95.9
Portugal	(Es)	157.500	+1.7	400 - 600	157.610	156.200	158.025	-4.0	159.15	-4.2	162.75	-3.3	95.3
Spain	(Pta)	128.545	+1.395	520 - 570	128.760	127.450	128.8	-2.4	132.565	-12.5	131.495	-2.3	80.9
Sweden	(SKr)	7.2844	+0.0244	803 - 885	7.3000	7.1714	7.2976	-2.2	7.3229	-2.1	7.4294	-2.0	81.1
Switzerland	(SFr)	1.2982	+0.0174	977 - 987	1.2987	1.2840	1.2964	1.7	1.2921	1.9	1.2705	2.1	107.4
UK	(£)	1.5849	-0.0145	845 - 853	1.5967	1.5845	1.5845	0.3	1.5839	0.3	1.5761	0.6	88.7
Ecu	-	1.2324	-0.0132	321 - 326	1.2430	1.2321	1.2322	0.2	1.2317	0.2	1.2314	0.1	-
SDR†	-	1.47626	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0002	+0.0001	001 - 002	1.0002	1.0000	-	-	-	-	-	-	-
Brazil	(R)	0.8360	-0.0015	350 - 370	0.8380	0.8360	-	-	-	-	-	-	-
Canada	(C$)	1.3568	-0.0014	565 - 570	1.3575	1.3551	1.357	-0.1	1.3562	0.2	1.3618	-0.4	83.4
Mexico	(New Peso)	3.4485	+0.0095	470 - 500	3.4500	3.4439	3.4495	-0.3	3.4512	-0.3	3.4587	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	95.0
Pacific/Middle East/Africa													
Australia	(A$)	1.3312	-0.0023	307 - 316	1.3333	1.3277	1.3315	-0.2	1.3322	-0.3	1.3395	-0.6	87.5
Hong Kong	(HK$)	7.7289	-0.0005	284 - 294	7.7295	7.7285	7.727	0.3	7.7265	0.1	7.7344	-0.1	-
India	(Rs)	31.3825	-0.0263	800 - 850	31.4050	31.3800	31.4675	-3.3	31.6125	-2.9	-	-	-
Japan	(Y)	98.4250	-0.925	000 - 500	98.4900	97.6800	98.175	3.0	97.575	3.5	94.79	3.7	151.1
Malaysia	(M$)	2.5619	+0.0049	614 - 624	2.5630	2.5579	2.5527	4.3	2.5414	3.2	2.6149	-2.1	-
New Zealand	(NZ$)	1.6126	-0.002	113 - 139	1.6139	1.6112	1.6135	-0.7	1.6154	-0.7	1.6207	-0.5	-
Philippines	(Peso)	24.3000	-0.3	500 - 500	24.3500	24.2500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-0.0002	504 - 507	3.7507	3.7504	3.7519	-0.4	3.755	-0.6	3.7746	-0.6	-
Singapore	(S$)	1.4749	+0.0051	744 - 754	1.4754	1.4704	1.4726	1.8	1.4679	1.9	1.4504	1.7	-
S Africa (Com.)	(R)	3.5233	-0.002	225 - 240	3.5315	3.5225	3.5379	-5.0	3.5695	-5.2	3.7266	-5.6	-
S Africa (Fin.)	(R)	4.1200	+0.025	100 - 300	4.1200	4.1000	4.1425	-6.6	4.19	-6.8	4.425	-7.4	-
South Korea	(Won)	797.050	-0.2	000 - 100	797.400	796.600	800.05	-4.5	803.55	-3.3	822.05	-3.1	-
Taiwan	(T$)	26.1938	+0.068	905 - 970	26.1970	26.1905	26.2138	-0.9	26.2536	-0.9	-	-	-
Thailand	(Bt)	25.0050	+0.045	000 - 100	25.0100	24.9750	25.0775	-3.5	25.205	-3.2	25.695	-2.7	-

†SDR rate for Nov 11. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Nov 11. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

November 14	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	$4\frac{7}{8}$	$4\frac{13}{16}$	$5\frac{1}{8}$	$5\frac{1}{2}$	$6\frac{1}{8}$	7.40	4.50	-
week ago	$4\frac{7}{8}$	$4\frac{13}{16}$	$5\frac{1}{4}$	$5\frac{3}{8}$	$6\frac{1}{4}$	7.40	4.50	-
France	$5\frac{3}{8}$	$5\frac{7}{16}$	$5\frac{5}{8}$	$5\frac{7}{8}$	$6\frac{3}{4}$	5.00	-	6.75
week ago	$5\frac{3}{8}$	$5\frac{7}{16}$	$5\frac{5}{8}$	$5\frac{11}{16}$	$6\frac{3}{8}$	5.00	-	6.75
Germany	4.93	4.85	5.15	5.25	5.60	6.00	4.50	4.85
week ago	4.88	4.95	5.15	5.25	5.60	6.00	4.50	4.85
Ireland	$5\frac{1}{8}$	$5\frac{1}{4}$	$5\frac{5}{8}$	$6\frac{1}{4}$	$7\frac{1}{8}$	-	-	6.25
week ago	$5\frac{1}{8}$	$5\frac{1}{4}$	$5\frac{5}{8}$	$6\frac{1}{4}$	$7\frac{1}{8}$	-	-	6.25
Italy	$8\frac{5}{8}$	$8\frac{1}{4}$	$8\frac{5}{8}$	9	$9\frac{7}{8}$	-	7.50	8.20
week ago	$8\frac{1}{4}$	$8\frac{1}{4}$	$8\frac{3}{4}$	$9\frac{3}{8}$	$10\frac{1}{8}$	-	7.50	8.20
Netherlands	4.84	5.05	5.25	5.36	5.75	-	5.25	-
week ago	4.84	5.05	5.24	5.36	5.76	-	5.25	-
Switzerland	$3\frac{5}{8}$	$3\frac{13}{16}$	$3\frac{15}{16}$	$4\frac{1}{8}$	$4\frac{1}{2}$	6.625	3.50	-
week ago	$3\frac{5}{8}$	$3\frac{13}{16}$	4	$4\frac{1}{8}$	$4\frac{3}{8}$	6.625	3.50	-
US	$4\frac{15}{16}$	$5\frac{3}{8}$	$5\frac{3}{4}$	$6\frac{1}{8}$	$6\frac{7}{8}$	-	4.00	-
week ago	$4\frac{3}{4}$	$5\frac{7}{16}$	$5\frac{3}{4}$	$6\frac{3}{16}$	$6\frac{13}{16}$	-	4.00	-
Japan	$2\frac{1}{4}$	$2\frac{1}{4}$	$2\frac{1}{4}$	$2\frac{3}{8}$	$2\frac{3}{4}$	-	1.75	-
week ago	$2\frac{1}{4}$	$2\frac{1}{4}$	$2\frac{3}{8}$	$2\frac{7}{16}$	$2\frac{3}{4}$	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	$5\frac{3}{8}$	$5\frac{13}{16}$	$6\frac{1}{8}$	$6\frac{3}{4}$	-	-	-
week ago	-	$5\frac{3}{8}$	$5\frac{13}{16}$	$6\frac{1}{8}$	$6\frac{3}{4}$	-	-	-
US Dollar CDs	-	5.20	5.52	5.89	6.54	-	-	-
week ago	-	5.20	5.47	5.85	6.51	-	-	-
SDR Linked Ds	-	$3\frac{3}{4}$	$3\frac{7}{8}$	$3\frac{3}{4}$	4	-	-	-
week ago	-	$3\frac{3}{4}$	$3\frac{7}{8}$	$3\frac{3}{4}$	4	-	-	-

ECU Linked Ds mid rates: 1 mth: $5\frac{1}{2}$; 3 mths: $5\frac{7}{8}$; 6 mths: $6\frac{1}{4}$; 1 year: $6\frac{3}{4}$. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Nov 14	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	$4\frac{15}{16} - 4\frac{13}{16}$	$4\frac{15}{16} - 4\frac{13}{16}$	$4\frac{15}{16} - 4\frac{13}{16}$	$5\frac{1}{4} - 5\frac{1}{8}$	$5\frac{7}{16} - 5\frac{5}{16}$	$6\frac{1}{8} - 6$
Danish Krone	$5\frac{1}{2} - 5\frac{1}{4}$	$5\frac{3}{4} - 5\frac{1}{2}$	$5\frac{7}{8} - 5\frac{5}{8}$	$6\frac{3}{8} - 6\frac{1}{8}$	$6\frac{5}{8} - 6\frac{3}{8}$	$7\frac{1}{4} - 7$
D-Mark	$5\frac{1}{16} - 4\frac{13}{16}$	$5 - 4\frac{7}{8}$	$5 - 4\frac{7}{8}$	$5\frac{3}{16} - 5\frac{1}{16}$	$5\frac{1}{4} - 5\frac{1}{8}$	$5\frac{5}{8} - 5\frac{1}{2}$
Dutch Guilder	$5 - 4\frac{7}{8}$	$5\frac{1}{16} - 4\frac{15}{16}$	$5\frac{1}{32} - 5$	$5\frac{1}{4} - 5\frac{3}{16}$	$5\frac{3}{8} - 5\frac{1}{4}$	$5\frac{3}{4} - 5\frac{5}{8}$
French Franc	$5\frac{3}{8} - 5\frac{1}{4}$	$5\frac{7}{16} - 5\frac{5}{16}$	$5\frac{7}{16} - 5\frac{5}{16}$	$5\frac{5}{8} - 5\frac{1}{2}$	$5\frac{7}{8} - 5\frac{3}{4}$	$6\frac{3}{8} - 6\frac{1}{4}$
Portuguese Esc.	$9\frac{3}{16} - 8\frac{7}{8}$	$8 - 8\frac{3}{4}$	$9\frac{1}{2} - 9\frac{1}{4}$	$10\frac{1}{8} - 8\frac{7}{8}$	$10\frac{7}{8} - 10\frac{7}{16}$	$10\frac{1}{2} - 10\frac{1}{4}$
Spanish Peseta	$7\frac{9}{16} - 7\frac{7}{16}$	$7\frac{9}{16} - 7\frac{7}{16}$	$7\frac{5}{8} - 7\frac{7}{16}$	$8 - 7\frac{13}{16}$	$8\frac{5}{8} - 8\frac{1}{2}$	$9\frac{1}{8} - 8\frac{15}{16}$
Sterling	$5 - 4\frac{3}{4}$	$5\frac{3}{16} - 5\frac{1}{16}$	$5\frac{11}{16} - 5\frac{9}{16}$	$6\frac{1}{8} - 5$	$6\frac{5}{8} - 6\frac{1}{2}$	$7\frac{3}{8} - 7\frac{1}{4}$
Swiss Franc	$3\frac{3}{8} - 3\frac{1}{4}$	$3\frac{7}{16} - 3\frac{5}{16}$	$3\frac{5}{8} - 3\frac{1}{2}$	$4 - 3\frac{7}{8}$	$4\frac{1}{8} - 4$	$4\frac{1}{2} - 4\frac{3}{8}$
Can. Dollar	$5 - 4\frac{13}{16}$	$5\frac{1}{8} - 4\frac{15}{16}$	$5\frac{7}{16} - 5\frac{5}{16}$	$5\frac{11}{16} - 5\frac{9}{16}$	$6\frac{1}{4} - 6\frac{1}{8}$	$7\frac{1}{8} - 7$
US Dollar	$4\frac{7}{8} - 4\frac{3}{4}$	$5\frac{1}{4} - 5\frac{1}{8}$	$5\frac{3}{8} - 5\frac{1}{4}$	$5\frac{13}{16} - 5\frac{11}{16}$	$6\frac{1}{8} - 6$	$6\frac{7}{16} - 6\frac{3}{8}$
Italian Lira	$9 - 7\frac{1}{2}$	$8\frac{7}{8} - 8\frac{1}{4}$	$8\frac{1}{4} - 8\frac{1}{8}$	$8\frac{9}{16} - 8\frac{7}{16}$	$8 - 8\frac{7}{8}$	$9\frac{13}{16} - 9\frac{9}{16}$
Yen	$2\frac{1}{4} - 2\frac{3}{16}$	$2\frac{5}{16} - 2\frac{1}{4}$	$2\frac{3}{8} - 2\frac{5}{16}$	$2\frac{3}{8} - 2\frac{5}{16}$	$2\frac{1}{2} - 2\frac{7}{16}$	$2\frac{13}{16} - 2\frac{3}{4}$
Asian $Sing	$2\frac{7}{8} - 2\frac{3}{4}$	$3\frac{1}{16} - 2\frac{15}{16}$	$3\frac{1}{4} - 3\frac{1}{8}$	$3\frac{1}{2} - 3\frac{3}{8}$	$3\frac{3}{4} - 3\frac{5}{8}$	$4\frac{1}{8} - 4$

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.27	94.26	-0.01	94.28	94.25	4,090	49,258
Mar	93.84	93.83	-0.01	93.87	93.82	6,410	38,034
Jun	93.44	93.44	-	93.47	93.42	4,325	30,078
Sep	93.12	93.12	+0.01	93.14	93.09	2,564	20,434

■ **THREE MONTH EURODOLLAR** (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		93.97	+0.03			0	2476
Mar		93.48	+0.03			0	1386
Jun		92.96	+0.04			0	354
Sep		92.66	+0.04			0	81

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.84	94.84	+0.01	94.85	94.83	8953	141515
Mar	94.65	94.65	+0.02	94.66	94.62	18768	172629
Jun	94.30	94.30	+0.02	94.31	94.28	12704	117482
Sep	93.88	93.88	+0.04	93.94	93.88	9065	82426

■ **THREE MONTH EUROLIRA INT. RATE FUTURES** (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	91.24	91.23	+0.03	91.26	91.18	4064	33334
Mar	90.62	90.69	+0.09	90.70	90.60	2743	34036
Jun	90.11	90.13	+0.07	90.13	90.08	802	16164
Sep	89.85	89.88	+0.08	89.88	89.82	655	21261

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.96	95.97	+0.01	95.98	95.96	723	19264
Mar	95.74	95.74	+0.01	95.74	95.71	1357	20361
Jun	95.41	95.40	+0.02	95.41	95.38	611	5052
Sep	95.05	95.04	+0.01	95.05	95.03	221	2371

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.99	93.98	-	93.99	93.98	351	8486
Mar	93.62	93.63	+0.02	93.63	93.60	389	7529
Jun	93.14	93.14	+0.03	93.13	93.09	243	4180
Sep	92.64	92.68	+0.03	92.68	92.60	162	2378

* LIFFE futures traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Nov 14		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.00	16.73	4.864	2.022	4993	5.454	21.25	495.7	404.6	22.92	4.085	1.986	4.270	3.148	309.6	2.554
Denmark	(DKr)	52.63	10	8.805	2.560	1.064	2628	2.870	11.18	260.9	212.9	12.08	2.150	1.045	2.247	1.657	163.0	1.344
France	(FFr)	59.77	11.36	10	2.907	1.208	2984	3.260	12.70	296.3	241.8	13.70	2.442	1.187	2.552	1.882	185.1	1.527
Germany	(DM)	20.56	3.906	3.440	1	0.416	1027	1.121	4.369	101.9	83.16	4.712	0.840	0.408	0.878	0.647	63.66	0.525
Ireland	(I£)	49.46	9.398	8.275	2.406	1	2470	2.697	10.51	245.2	200.1	11.34	2.021	0.982	2.112	1.557	153.1	1.263
Italy	(L)	2.003	0.381	0.335	0.097	0.040	100.	0.109	0.426	9.928	8.103	0.459	0.082	0.040	0.086	0.063	6.201	0.051
Netherlands	(Fl)	18.34	3.484	3.068	0.892	0.371	915.5	1	3.897	90.90	74.18	4.202	0.749	0.364	0.783	0.577	56.77	0.468
Norway	(NKr)	47.05	8.941	7.873	2.289	0.951	2350	2.566	10	233.3	190.4	10.78	1.922	0.935	2.009	1.481	145.7	1.202
Portugal	(Es)	20.17	3.833	3.375	0.981	0.408	1007	1.100	4.287	100.	81.61	4.623	0.824	0.401	0.861	0.635	62.46	0.515
Spain	(Pta)	24.72	4.697	4.135	1.202	0.500	1234	1.348	5.253	122.5	100.	5.665	1.010	0.491	1.055	0.778	76.53	0.631
Sweden	(SKr)	43.63	8.290	7.300	2.122	0.882	2179	2.380	9.272	216.3	176.5	10	1.782	0.867	1.863	1.373	135.1	1.114
Switzerland	(SFr)	24.48	4.651	4.095	1.191	0.495	1222	1.335	5.202	121.3	99.03	5.610	1	0.486	1.045	0.771	75.79	0.625
UK	(£)	50.35	9.567	8.424	2.449	1.018	2514	2.746	10.70	249.6	203.7	11.54	2.057	1	2.150	1.585	155.9	1.286
Canada	(C$)	23.42	4.450	3.918	1.139	0.473	1169	1.277	4.977	116.1	94.74	5.367	0.957	0.465	1	0.737	72.51	0.598
US	($)	31.77	6.036	5.315	1.545	0.642	1586	1.732	6.751	157.5	128.5	7.281	1.298	0.631	1.356	1	98.38	0.811
Japan	(Y)	32.30	6.137	5.400	1.571	0.653	1613	1.761	6.863	160.1	130.7	7.402	1.318	0.641	1.379	1.017	100.	0.825
Ecu		39.15	7.439	6.551	1.904	0.792	1955	2.135	8.320	194.1	158.4	8.974	1.600	0.778	1.672	1.233	121.2	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10: Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.6524	0.6477	-0.0062	0.6527	0.6472	13,043	91,645
Mar	0.6505	0.6490	-0.0056	0.6505	0.6486	199	8,247
Jun	-	0.6516	-	-	0.6518	79	1,315

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.0261	1.0166	-0.0086	1.0261	1.0163	9,741	68,200
Mar	1.0295	1.0270	-0.0088	1.0295	1.0269	535	5,469
Jun	-	1.0468	+0.0019	-	-	2	715

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7796	0.7728	-0.0079	0.7796	0.7723	8,396	44,106
Mar	0.7787	0.7763	-0.0082	0.7787	0.7762	166	2,513
Jun	-	0.7820	-	-	0.7820	7	206

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.5936	1.5874	-0.0060	1.5942	1.5870	5,830	48,732
Mar	1.5904	1.5870	-0.0058	1.5904	1.5862	62	755
Jun	-	1.5850	-	-	1.5850	2	17

UK INTEREST RATES

LONDON MONEY RATES

Nov 14	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	$5\frac{1}{8} - 3\frac{1}{2}$	$5\frac{1}{2} - 5$	[illegible]	[illegible]	[illegible]	$7\frac{1}{4} - 7\frac{1}{8}$
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	$7\frac{3}{8} - 7\frac{1}{4}$
Discount Market deps.	$5 - 4\frac{1}{2}$	[illegible]	-	-	-	-

UK clearing bank base lending rate $5\frac{3}{4}$ per cent from September 12, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	$1\frac{1}{2}$	4	$3\frac{3}{4}$	$3\frac{1}{2}$	$3\frac{1}{2}$

Certs of Tax dep. under £100,000 is $1\frac{1}{2}$pc. Deposits withdrawn for cash $\frac{1}{2}$pc. [illegible] Average tender rate of discount 5.6456pc. ECGD fixed rate Stg. Export Finance. Make up day Oct 31, 1994. Agreed rate for period Nov 26, 1994 to Dec 25, 1994, Scheme II & III 7.25pc. Reference rate for period Oct 1, 1994 to Oct 31, 1994, Scheme IV & V 5.869pc. Finance House Base Rate 6pc from Nov 1, 1994

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.57	93.56	-0.01	93.59	93.54	13617	144110
Mar	92.78	92.75	-0.02	92.78	92.69	21416	74980
Jun	92.16	92.15	-0.02	92.18	92.09	8699	58710
Sep	91.74	91.74	-0.02	91.75	91.66	4529	57012

Traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9350	0.16	0.06	0.06	0.09	0.80	1.40
9375	0.04	0.02	0.03	0.21	1.02	1.62
9400	0.01	0	0.02	0.43	1.25	1.88

Est. vol. total, Calls 8172 Puts 6682. Previous day's open int., Calls 348262 Puts 213505

EMS EUROPEAN CURRENCY UNIT RATES

Nov 14	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.14659	+0.00021	-2.28	5.65	15
Belgium	40.2123	39.4041	-0.0069	-2.01	5.35	15
Germany	1.94964	1.91465	+0.00052	-1.78	5.11	-
Ireland	0.808628	0.795911	-0.000377	-1.57	4.89	11
Denmark	7.43679	7.47640	-0.00256	0.53	2.69	-4
France	6.53883	6.58566	+0.00347	0.72	2.50	-5
Portugal	192.854	195.268	+0.105	1.25	1.96	-6
Spain	154.250	159.242	+0.063	3.24	0.00	-23
NON ERM MEMBERS						
Greece	264.513	294.625	-0.116	11.46	-7.38	-
Italy	1793.19	1964.66	-0.07	9.56	-5.77	-
UK	0.786749	0.780096	-0.002157	-0.85	4.12	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	PUTS Dec	PUTS Jan	PUTS Feb
1.525	6.31	6.55	6.90	0.09	0.43	0.74
1.550	4.12	4.50	5.04	0.40	0.93	1.35
1.575	2.35	2.95	3.48	1.06	1.77	2.25
1.600	1.09	1.78	2.32	2.33	2.98	3.45
1.625	0.42	0.97	1.44	4.10	4.66	5.04
1.650	0.12	0.48	0.84	6.29	6.83	6.90

Previous day's vol., Calls 5,213 Puts 5,232. Prev. day's open int., Calls 443,073 Puts 434,611

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	93.96	93.96	+0.02	93.97	93.95	33,984	405,889
Mar	93.44	93.45	+0.02	93.48	93.43	48,481	420,876
Jun	92.96	92.95	+0.02	92.94	92.84	16,483	304,265

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.55	94.55	+0.01	94.55	94.54	386	17,110
Mar	94.00	94.01	+0.02	94.01	94.00	54	10,062
Jun	-	93.50	-0.02	-	-	30	5,905

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	CALLS Mar	PUTS Nov	PUTS Dec	PUTS Jan	PUTS Mar
9475	0.09	0.12	0.08	0.13	0	0.03	0.16	0.25
9500	0	0.02	0.02	0.05	0.16	0.18	0.37	0.40
9525	0	0	0.01	0.02	0.41	0.41	0.60	0.62

Est. vol. total, Calls 9871 Puts 8114. Previous day's open int., Calls 224124 Puts 202324

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9575	0.24	0.18	0.12	0.02	0.16	0.47
9600	0.05	0.08	0.06	0.08	0.34	0.66
9625	0.01	0.02	0.02	0.29	0.54	0.87

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 2315 Puts 1795

BASE LENDING RATES

	%		%
Adam & Company	5.75	Duncan Lawrie	5.75
Allied Trust Bank	5.75	Exeter Bank Limited	6.75
AIB Bank	5.75	Financial & Gen Bank	6.5
•Henry Ansbacher	5.75	•Robert Fleming & Co	5.75
Bank of Baroda	5.75	Girobank	5.75
Banco Bilbao Vizcaya	5.75	•Guinness Mahon	5.75
Bank of Cyprus	5.75	Habib Bank AG Zurich	5.75
Bank of Ireland	5.75	•Hambros Bank	5.75
Bank of India	5.75	Heritable & Gen Inv Bk	5.75
Bank of Scotland	5.75	•Hill Samuel	5.75
Barclays Bank	5.75	C. Hoare & Co	5.75
Brit Bk of Mid East	5.75	Hongkong & Shanghai	5.75
•Brown Shipley & Co Ltd	5.75	Julian Hodge Bank	5.75
CL Bank Nederland	5.75	•Leopold Joseph & Sons	5.75
Citibank NA	5.75	Lloyds Bank	5.75
Clydesdale Bank	5.75	Meghraj Bank Ltd	5.75
The Co-operative Bank	5.75	Midland Bank	5.75
Coutts & Co	5.75	•Mount Banking	6
Credit Lyonnais	5.75	NatWestminster	5.75
Cyprus Popular Bank	5.75	•Rea Brothers	5.75
•Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	6	Royal Bk of Scotland	5.75
•Smith & Williamson Secs	5.75	TSB	5.75
•United Bk of Kuwait	5.75	Unity Trust Bank Plc	5.75
Western Trust	5.75	Whiteaway Laidlaw	5.75
Yorkshire Bank	5.75		

• Members of London Investment Banking Association
* In administration

CONTRACTS & TENDERS

WELSH HEALTH COMMON SERVICES AUTHORITY

PROCUREMENT SERVICES

As part of a review of its activities the Welsh Health Common Services Authority, acting on behalf of NHS Organisations in Wales, invites expressions of interest from suitably qualified and experienced organisations to participate, in whole or in part, in the provision of procurement services including purchasing, contracting, storage and distribution of goods, supporting computerised management and information systems and associated services. Applicants are required to provide evidence of their track record in supplying services of this type and experience of complex high volume and high value supply chain management which should accompany their response to this advertisement.

Selected organisations will be provided with full details of the services involved and asked to make proposals to the Authority for their future delivery and overall management. The proposals will not themselves be treated as tenders for any particular service requirement. The evaluation of the proposals received will assist the Authority in establishing its tender programme and each specific contract for which offers are to be sought will, if necessary, be the subject of appropriate notices in The Official Journal of the European Communities and put out to tender in accordance with the applicable regulations.

Expressions of interest should be made in writing to:
Nigel Kirk, Chief Executive
Welsh Health Common Services Authority
Crickhowell House, Pierhead Street
Capital Waterside, Cardiff CF1 5XT
(Tel: 0222 500500 Fax: 0222 502502)

Further information may be obtained from M J Grigg, Director of Contracting at the above address.

The Closing Date for the Receipt of Applications is 30 November 1994

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Nov 14 / Sch)

BELGIUM/LUXEMBOURG (Nov 14 / Frs)

DENMARK (Nov 14 / Kr)

FINLAND (Nov 14 / Mks)

FRANCE (Nov 14 / Frs)

GERMANY (Nov 14 / Dm.)

ITALY (Nov 14 / Lire)

NETHERLANDS (Nov 14 / Fls.)

NORWAY (Nov 14 / Kroner)

SPAIN (Nov 14 / Pts.)

SWEDEN (Nov 14 / Kronor)

SWITZERLAND (Nov 14 / Fr.)

PACIFIC

JAPAN (Nov 14 / Yen)

HONG KONG (Nov 14 / H.K.$)

MALAYSIA (Nov 14 / MYR)

SINGAPORE (Nov 14 / S$)

AUSTRALIA (Nov 14 / Aust$)

NORTH AMERICA

CANADA

TORONTO (Nov 14 / Can $) 4 pm close

MONTREAL (Nov 14 / Can $) 4 pm close

AFRICA

SOUTH AFRICA (Nov 14 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). ● Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Monday, November 14, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	7.2m	382	-4	Toshiba	3.2m	704	-7
Nissan Motor	4.3m	788	-1	Tokyo Tatemono	3.0m	560	+5
Ashikaga Bank	4.1m	684	-1	M'bishi Heavy	2.3m	740	-2
Sharp Corp	3.9m	1,770		Kawasaki Steel	2.2m	423	-3
Teijin	3.6m	565	-3	NKK Corp	2.2m	280	+4

INDICES

				Nov 11	Nov 10	Nov 9	1994 High		1994 Low	
JCapelDrgns (31/12/88)			(u)	331.89	332.94		395.19	5/1	290.28	21/3
Barings Emerg.(7/1/92)				179.68	180.24	181.81	181.79	26/9	141.65	21/4
Japan										
Nikkei 225 (16/5/49)				19261.45	19284.36	19264.85	21552.81	13/6	17369.74	4/1
Nikkei 300 (1/10/82)				278.70	278.50	278.40	311.71	13/6	256.22	4/1
Topix (4/1/68)				1517.82	1517.67	1520.03	1712.73	13/6	1445.97	4/1
2nd Section (4/1/68)				2111.86	2114.78	2121.48	2542.85	6/7	1873.33	4/1
Malaysia										
KLSE Comp.(4/4/86)				1044.31	1029.87	1030.85	1314.48	5/1	929.33	4/4

~ Sat Nov 12: Taiwan Weighted Price (c) ; Korea Comp Ex 1118.28. Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 25 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Nov 14 – 2091.04 +17.37

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol	Open int
Nov	1950.0	1949.0	-7.0	1955.0	1935.0	16,452	23,554
Dec	1961.5	1957.5	-7.0	1961.5	1945.0	193	26,033
Mar	1984.5	1983.0	-7.0	1984.5	1984.5	1	6,933

Open interest figures for previous day.

US INDICES

Dow Jones	Nov 11	Nov 10	Nov 9	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3801.47	3821.99	3831.75	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	94.32	94.63	94.67	105.61 (21/1)	94.32 (11/11)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1472.35	1483.44	1481.11	1862.29 (2/2)	1438.50 (6/10)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	176.71	177.50	177.43	227.89 (3/1)	175.85 (20/9)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3830.06 (3873.47) Low 3779.93 (3806.18) (Theoretical♠)
Day's high 3821.99 (3858.66) Low 3795.41 (3814.92) (Actual♠)

Standard and Poors	Nov 11	Nov 10	Nov 9	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	462.35	464.37	465.40	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	550.87	553.03	554.02	563.10 (28/10)	510.05 (21/4)	563.10 (28/10/94)	3.62 (21/6/32)
Financial	42.51	42.81	42.88	46.94 (14/6)	41.39 (4/4)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp	253.25	254.35	255.01	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	448.04	449.59	451.25	487.89 (2/2)	422.57 (28/6)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	762.12	764.38	767.25	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Nov 11	Nov 4	Oct 28	Year ago
Dow Jones Ind. Div. Yield	2.78	2.79	2.70	2.71
	Nov 9	Nov 2	Oct 26	Year ago
S & P Ind. Div. yield	2.39	2.39	2.38	2.41
S & P Ind. P/E ratio	20.93	20.95	20.82	28.61

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	462.85	464.65	-1.70	464.80	462.55	55,366	207,733
Mar	-	465.70	-2.45	-	-	2,956	26,252
Jun	-	469.50	-2.55	-	-	28	3,646

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Telefonos	7,914,500	53[illegible]	+[illegible]
EMC Corp	2,827,800	23	+[illegible]
RJR Nabisco	2,697,500	6[illegible]	+[illegible]
Pepsico	2,454,800	36[illegible]	-1[illegible]
Merck	2,341,600	36[illegible]	-[illegible]
Philip Morris	1,981,000	61[illegible]	+[illegible]
Sears Roe	1,965,500	50[illegible]	-1[illegible]
Amer Express	1,953,100	31[illegible]	+[illegible]
IBM	1,847,300	72[illegible]	+[illegible]
Countrywide	1,826,900	14[illegible]	+[illegible]

■ TRADING ACTIVITY

● Volume (million)	Nov 11	Nov 10	Nov 9
New York SE	218.428	280.876	337.783
Amex	16.057	15.870	16.175
NASDAQ	249.742	240.495	282.393
NYSE			
Issues Traded	2,870	2,902	2,911
Rises	619	807	993
Falls	1,551	1,336	1,199
Unchanged	700	759	719
New Highs	18	26	33
New Lows	223	173	169

1 Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's) ♥ Subject to official recalculation

4 pm close November 14

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	1994 Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev Close
17⅝	12⅛	AAR	0.48	3.9	21	183	12⅜	12¼	12¼	
18	12⅝	A L Labs A	0.18	1.0	40	351	u18½	17⅝	17⅞	+¼
79⅜	57⅝	AMP x	1.68	2.3	22	1664	74½	73¾	74⅛	+⅛
72¾	48⅛	AMR			109	2100	51⅞	50⅛	51⅜	+⅞
5	3⅜	ARX			12	58	3⅞	3¾	3¾	
66⅛	38⅝	ASA	2.00	4.2	31	522	48½	47⅜	47¾	-⅝
32⅝	25⅜	AbbotL	0.76	2.3	17	7459	u32⅝	32	32⅝	+⅜
15¼	11⅜	Abitibi Pr	0.50	3.8	11	42	13⅛	12⅞	13⅛	+¼
23⅝	17¾	ABM Ind	0.52	2.5		72	20⅝	20½	20⅝	+⅛
18	11⅛	Acpnealth			13	955	14½	14½	14⅞	+⅜
31	22	ACE Ltd	0.44	1.8	23	843	24	23⅝	23¾	-½
12½	9⅛	ACM Gvt In x	1.09	12.0		377	9⅛	d9⅛	9⅛	-⅛
10⅛	8⅞	ACM GvOpp x	0.80	11.4		86	7	7	7	-⅛
10⅝	6⅝	ACM Gvt Sp x	0.96	14.2		1096	6¾	d6¾	6¾	
12	7¾	ACM Gvt Se x	1.09	13.9		674	7⅞	d7⅝	7⅞	
11¾	7⅜	ACM Man x	1.08	14.4		335	7⅝	7½	7½	
9¼	8	ACM Managd x	0.72	8.7		72	8¼	8⅛	8¼	+⅛
15½	8¾	AcmeClv x	0.44	3.7	23	10	11¾	11⅛	11¾	
13⅝	6½	Acme Elect			11	398	11⅝	10¼	11¼	+¼
28¾	23	Acordia	0.60	2.2	14	5	27¼	27⅝	27⅜	+¼
13⅜	5¾	Actava	0.36	3.7	2	203	9¾	9⅝	9¾	
18⅝	11⅛	Acuson			27	1784	17	16¾	16¾	-¼
18⅝	16½	Adams Expr	0.08	4.8	0	349	17⅜	17⅛	17⅛	-⅛
64	46½	Ad Micro	3.00	5.8		3	53¾	53½	53½	-⅝
31⅜	16¾	AdvMic	3.00	12.2	8	8217	24¾	24⅜	24½	
6⅞	5	Advest Grp	0.16	3.0	15	42	5¼	5¼	5¼	-⅛
20	15	Advo Inc	0.10	0.6	130	4	18⅛	18⅛	18⅛	

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NYSE COMPOSITE PRICES

Continued from previous page

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
49⅞	31¼	Sallie Mae	1.48	4.1	7	3743	34¼	33⅞	34	+⅛
13⅞	11⅞	Salomon Br	0.26	3.0		1866	12¾	12⅜	12½	-¼
52¾	37	Salomon	0.64	1.7	5	2781	38⅝	38¼	38⅜	-⅞
25	17½	SnDgGE	1.52	7.8	10	407	19½	19¼	19⅜	
10	7½	SantaFeERs	0.16	1.8	10	307	9	8⅞	9	+⅛
17⅞	13½	SFeGd				8136	14¼	13¾	13¾	-⅛
33¾	31⅞	SFePPipe	2.80	8.8		149	32½	32	32½	+¼
26¼	12⅝	SanFeP x	0.18	0.6	8	17822	16½	16¼	16¼	
26	18⅝	SaraLee	0.68	2.1	17	6617	25⅝	25⅛	25½	+⅛
50⅛	41⅜	Scana Corp	2.82	6.8	11	684	41¾	d41¼	41⅝	-⅛
20½	12½	Scecrp	1.06	7.3	9	5396	13⅞	13⅛	13¾	+⅛
44⅝	21¾	SchererRP			31	414	42⅛	41¾	41¾	-⅜
74	54½	SchPl x	2.04	2.6	17	5755	u74½	72⅞	74⅛	+⅜
63	50¾	Schlmb	1.20	2.1	23	3635	56⅛	55⅝	56⅛	+⅜
37	23¾	SchwabC	0.26	0.9	15	1687	33	32⅞	32⅞	+¼
10¾	6⅝	Schwitzer			25	45	9	8⅞	8⅞	-⅛
22⅝	12⅞	SciAtl	0.06	0.3	42	1360	21¾	20⅞	21⅜	+⅝
17⅛	13	Scotsman	0.10	0.8	18	62	u17½	17¼	17½	+⅜
67⅞	37¼	ScottP	0.80	1.2	20	3176	66⅛	65⅜	66	+⅝
28⅝	18⅝	ScudderNAsF	0.21	0.9		98	22⅞	22¼	22⅞	+¼
12⅝	9⅛	ScudderNEuF	0.18	1.7		106	9½	9⅜	9⅜	
18¾	13½	SeaCnB x	0.70	4.8	7	17	14⅝	14	14¾	-⅛
18½	14¼	SeaC1.4625	1.40	10.1		21	14½	14½	14½	
32⅝	28¼	Seagrm	0.60	2.1	38	5754	28¾	28⅝	28⅝	+⅛
29¾	21⅞	Seagull En			30	232	23¾	23¼	23½	+¼
38¼	28⅝	Sealed Air			35	135	34⅞	34⅛	34¾	-⅛
55⅛	42⅛	SearsR	1.60	3.2	8	6464	50½	50	50½	+⅛
13¾	8⅞	Seligm Sel	0.84	8.8		230	10⅛	d9¼	9¾	-¼
[illegible]										
42½	33⅞	York Int	0.18	0.4	18	398	38¼	37⅞	37⅞	
5½	1	Zapata	0.14	3.6		303	3⅞	3¾	3⅞	+⅛
14⅛	7	ZnthEl			8	874	13⅛	12⅞	13	
27⅜	20⅝	Zenith Nat	1.00	4.5	8	59	22⅝	22¼	22⅜	
7⅞	6½	Zenix Inc	0.83	12.5		171	6⅝	d6½	6⅝	+⅛
16⅛	11⅜	Zero x	0.40	3.1	18	161	13	12⅝	13	+¼
29¾	16⅞	Zurn Ind	0.88	5.0	15	72	17⅝	17⅜	17½	+⅛
13⅞	10¼	Zweig Fund	1.08	10.3		182	10⅝	10⅜	10½	+⅛
10¾	8⅛	Zweig Totl x	0.84	10.3		557	8¼	d8	8⅝	-⅛

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1, 1994. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close November 14

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Cominco	0.30	21	4	18⅝	18⅞	18⅝	+¼
Computrac		1	74	⅞	¾	⅞	
Health Ch		4	3	2¾	d2⅝	2¾	
Pegasus G	0.10	9	1061	14⅝	14⅛	14⅛	-⅛
Xytronix		3	126	4	3 13/16	3⅞	-1/16

NASDAQ NATIONAL MARKET

4 pm close November 14

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

FINANCIAL TIMES Tuesday November 15 1994

AMERICA

Dow bounces on rises in bonds, dollar

Wall Street

US share prices bounced back from Friday's losses yesterday morning, influenced by rising bond prices and a strengthening dollar, *writes Lisa Bransten in New York.*

By 1 pm, the Dow Jones Industrial Average was up 24.22 at 3,825.69, more than making up for Friday's 20.52 decline. The more broadly based Standard & Poor's 500 rose 2.73 to 465.08, while the American Stock Exchange composite gained 0.87 at 448.91. The Nasdaq composite was ahead 3.15 at 765.27. Trading volume on the NYSE came to 151m shares.

The market was strengthened in part by gains made by the dollar against the yen and the D-Mark. This boosted bond prices by allaying fears that a declining dollar would drive investors out of US government securities.

Volume was modest as investors awaited news on interest rate policy expected to come out of today's meeting of the Federal Reserve's Open Market Committee meeting. The consensus on Wall Street was that the Fed would boost the federal funds target rate by 50 basis points to 5½ per cent.

Traders were also awaiting other economic indicators this week for hints of inflationary pressures. Expected today were figures on retail sales and industrial production, and tomorrow should see the release of all-important consumer price figures.

The biotech sector continued to make strong gains after reports that a major pharmaceutical company was negotiating to by a minority equity position in Chiron. After closing up $11¾ on Friday, Chiron gained $3 at $74½, towing along much of the rest of the sector: Genentech gained $⅝ at $47⅞, Amgen $¼ at $58¼. Biogen $⅝ at $40¾ and Cellpro $¼ at $15⅞.

Shares of Chrysler, which at noon were the most actively traded securities on the NYSE, jumped $2½ at $48½ amid a tussle between the company and Mr Kirk Kerkorian, its biggest shareholder. Mr Kerkorian said he wanted to increase his holdings in the carmaker and called on Chrysler to act to increase the value of the company's shares.

Eastman Kodak rose $1¼ at $47 after an analyst at Prudential Securities upgraded the shares to "buy", citing the company's speedy move to return to its photographic roots by selling other assets.

Canada

Toronto stocks were mixed at midday in extremely thin trading ahead of today's Federal Open Market Committee meeting. One trader said that any movement yesterday was likely to reflect position-squaring in advance of the expected rise in US interest rates. The TSE 300 index rose 8.4 to 4,179.1 in volume of 20.3m shares.

Venezuela

Share prices on the Caracas Stock Exchange slipped for the 11th day in succession, the Merinvest index closing 2.36 or 1.9 per cent lower at 124.05.

Electricidad de Caracas, the market's benchmark stock, fell 12 bolivars more to 230 bolivars. It has fallen steadily from above 330 bolivars since the end of September, following the announcement of a $65m, one-for-six share subscription.

Investors continued to offload Electricidad shares in the cash market, said traders, to take advantage of the share subscription which runs until December 9.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1994	Start of 1994	Start of 1994
Austria	-1.37	-1.39	-5.49	-13.70	-9.59	-2.25
Belgium	+0.36	+0.06	-2.75	-9.713	-4.00	+3.79
Denmark	+0.42	-1.70	-7.69	-11.57	-6.90	+0.66
Finland	-0.74	-0.28	+27.97	+26.82	+46.12	+57.96
France	+0.96	+0.84	-5.28	-13.19	-9.78	-2.47
Germany	+0.36	-1.27	-0.64	-9.86	-5.25	+2.43
Ireland	-0.78	-3.29	+2.74	-1.21	+1.96	+10.23
Italy	+1.32	+0.62	+18.08	+4.70	+5.89	+14.46
Netherlands	-1.23	-0.54	+2.27	-4.62	+0.00	+8.11
Norway	-0.96	-5.00	+2.21	-2.68	+1.36	+9.58
Spain	+0.79	-0.60	-4.07	-9.34	-5.74	+1.91
Sweden	+1.33	-0.00	+6.29	+4.82	+11.31	+20.34
Switzerland	+1.63	+0.96	-2.84	-10.52	-4.03	+3.75
UK	-0.57	-0.96	-0.38	-9.72	-9.72	-2.41
EUROPE	+0.15	-0.52	-0.18	-8.54	-5.74	+1.90
Australia	-2.55	-2.62	-4.06	-9.44	-7.14	+0.40
Hong Kong	-1.73	-2.00	-2.57	-22.34	-28.17	-22.35
Japan	-3.20	-4.61	-1.62	+4.90	+11.07	+20.07
Malaysia	-3.80	-9.91	+5.64	-18.48	-20.56	-14.12
New Zealand	-2.52	+1.05	+10.62	+0.23	+2.89	+11.25
Singapore	-1.78	-1.79	+13.05	-3.20	-1.98	+5.97
Canada	-0.65	-3.97	+0.74	-0.68	-10.44	-3.18
USA	+0.01	-1.23	+0.29	-0.45	-7.81	-0.45
Mexico	-2.30	-9.11	+22.09	-4.25	-20.01	-13.52
South Africa	-0.32	+4.28	+45.40	+19.92	+16.20	+25.63
WORLD INDEX	-1.05	-2.21	+0.09	-2.08	-2.88	+4.99

† Based on November 11, 1994.

Masked by a neutral performance in October, the turn from strength to weakness in the Japanese equity market accelerated last week with a fall of 3.2 per cent in local currency terms, according to the FT-Actuaries World Indices. However, Mr David Shaw, strategy director of the Legal & General Group, points out that among the big battalions Japan's weakness stretches back much further. "Since the beginning of 1990," he writes, "US equities have outperformed Japanese equities by about 260 per cent in local currency terms." L&G reckons that the Japanese stock market should be moving, finally, into a bull phase while the US equity market stagnates or retreats. The £30bn investment house has already made an asset switch in its international funds based on this forecast, following an examination of the economic fundamentals in both markets.

EUROPE

Frankfurt climbs on Ifo profits forecast

Bourses were mostly subdued as they waited for today's FOMC meeting in Washington and the rise in interest rates that it is expected to bring, *writes Our Markets Staff.*

FRANKFURT advanced on the firm dollar and a stable German bond market. The Dax index closed 10.94 higher on the session at 2,089.29, and improved further in Ibis trading to end the post bourse at 2,091.04. Turnover fell from DM5bn to DM4.4bn.

Equities were encouraged by the Ifo economic research institute forecast that profits in west German industry could jump by 150 per cent to a total of around DM50bn in 1994.

Financials were strong on the hope that the Federal Reserve may help stabilise global interest rates, and bond markets, with its decision today. Allianz recovered DM41 to DM2,416 on the session and Commerzbank by DM7 to DM326.

Elsewhere it was mostly a day for individual stockpicking. Schering, the pharmaceuticals group, gained DM9.70 at DM969, encouraged by a full-year sales forecast of DM350m for its BetaSeron multiple sclerosis drug, rising by 50 per cent in 1995. The market had expected full-year sales of around DM300m.

SAP, the computer software group, hit a new 1994 high of DM1,003, up DM26 on a big business deal with IBM of the US: Computer 2,000, which announced a "strategic alliance" leading to a majority stake in AmeriQuest Technologies of Irvine, California, rose DM20 to DM460.

MILAN was enlivened by a flurry of late buy orders after a session marking time ahead of the parliamentary confidence vote on a budget measure offering a tax amnesty on building work. The Comit index was 0.92 lower at 640.13 while the real-time Mibtel index finished with a gain of 63 to 10,264.

Construction stocks turned in another strong performance on hopes of new contracts following the recent floods in the northwest of the country. Unicem rose L282 to L10,512 and Grassetto put on L88 to L1,816.

Shares in electricity companies rose strongly on speculation that they will take a bigger share of Italy's power generation market following the privatisation of the electricity giant, Enel. Edison picked up L165 to L6,726 and Sondel was L55 ahead at L2,530.

Banks continued to be driven by takeover speculation. Romagnolo fell L445 to L16,166 on news that it had obtained approval to merge with Cassa di Risparmio di Bologna as a poison pill measure.

PARIS, back from holiday, managed to combine one or two quite sharp individual gains with a lack of general impetus as the country saw its third cabinet minister since July resign under a cloud.

The CAC-40 index fell 7.27 to 1,941.08 in turnover of FFr2.89bn. The most outstanding gain, FFr8.90, or 6.1 per cent to FFr154 in Thomson CSF, the big electronics group on the French privatisation list, came on the rumour that the consumer electronics division might be floated off first, and separately before the defence side of the business.

Meanwhile, Eurotunnel rose FFr1.70 to FFr22.65 on a successful trip for the first train carrying fare-paying passengers on the new Eurostar express service.

ZURICH edged lower after a firm, dollar driven opening. The SMI index fell 6.9 to 2,590.9. Ciba fell SFr21 to SFr741 amid rumours, prompted by a press report, that it was to buy a 49 per cent stake in Chiron, the US drugs group. Ciba declined comment. Roche certificates fell SFr30 to SFr5,780 on news that Mr Peter Simon, head of the pharmaceutical division, was to leave the group at the end of the year.

Holderbank, the cement producer, picked up SFr20 to SFr1,035 after telling the autumn news conference that it had no plans to raise fresh capital in the near future and that its North American branch was set to make substantial profits for the first time in several years.

AMSTERDAM's international stocks were supported by the firm dollar and the AEX index picked up 1.23 to 408.92.

Aegon closed up Fl 1.20 at Fl 107.40 on its better-than-expected nine months results and improved forecast; other financials finished narrowly mixed.

Royal Dutch Petroleum rose Fl 1.50 to Fl 189.50, supported by the firm dollar while Philips gained 70 cents to Fl 53.20 as last week's US selling faded and the stock staged a technical rebound. PolyGram rose Fl 1.40 to Fl 76.40.

KNP BT rose 50 cents to Fl 50.30, ahead of third quarter results on Friday and on the positive outlook for the paper business.

Nutricia closed up 30 cents at Fl 90.10, rebounding on speculative buying: the market hoped that Unigate would make an announcement about the sale of its 30.2 per cent stake. Nutricia has half year results due on Wednesday.

TEL AVIV ran into more trouble. Following Sunday's fall of 4.51, or 2.45 per cent in the Mishtanim index, with mutual funds dumping equities to meet investor redemptions, equities ran into more selling and the index fell another 2.27, or 1.3 per cent to 277.31.

WARSAW registered its sixth successive fall, and threatened its 1994 low of 7,215.2 as the Wig index fell another 210.2, or 2.8 per cent to 7,235.9. Turnover rose 6.5 per cent to 405bn zlotys, and dealers said that they expected the June low to be tested later in the week.

Written and edited by William Cochrane and Michael Morgan

FT-SE Actuaries Share Indices

Nov 14							THE EUROPEAN SERIES	
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1349.52	1350.27	1349.11	1348.87	1347.78	1348.74	1347.60	1347.63
FT-SE Eurotrack 200	1405.17	1406.26	1402.88	1403.38	1403.15	1403.45	1403.19	1403.12

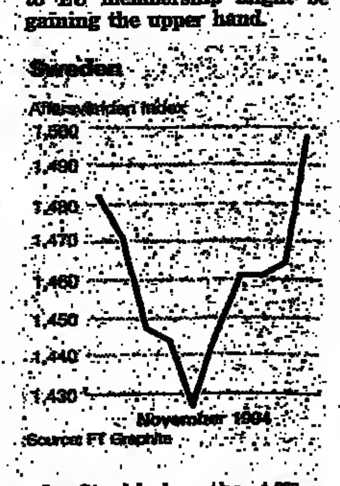
	Nov 11	Nov 10	Nov 9	Nov 8	Nov 7
FT-SE Eurotrack 100	1341.71	1345.52	1345.14	1324.29	1322.66
FT-SE Eurotrack 200	1396.52	1405.68	1408.36	1384.92	1386.89

Base 1000 (26/10/90) High/day 100 - 1350.36; 200 - 1406.69 Low/day 100 - 1347.27 200 - 1401.79 † Partial

Sweden welcomes EU poll

Nordic markets put in mostly positive performances in response to Sweden's vote to join the European Union in Sunday's referendum.

The Swedish markets had already discounted the result, although some investors had become increasingly nervous when polls, 10 days before the vote, suggested that opponents to EU membership might be gaining the upper hand.



Source: FT Graphite

In Stockholm, the Affärsvärlden index advanced 34.90 to 1,499.20 as investors demonstrated relief and optimism at the outcome.

The real estate and construction sub-index was the best performer, gaining 5.8 per cent, supported by lower rates and expectations of increased domestic infrastructure investment. Skanska "B" rose SKr10.50 to SKr171.50.

Oslo, facing its own EU referendum on November 28, pushed higher in a positive, but highly restrained, reaction to the outcome of the Swedish poll.

The All-share index was up 2.85 at 600.99 as the market hoped that the Swedish experience might dilute opposition to Norwegian membership. Norsk Hydro firmed NKr0.5 to NKr247.

Copenhagen rose across most of the board in line with bonds, and the KFX index was ahead 0.69 at 93.97.

Helsinki was unable to make progress as foreign investors focused on Stockholm. The Hex index softened 0.27 to 1,931.47.

ASIA PACIFIC

Today's FOMC meeting restrains region

Tokyo

The Nikkei 225 average closed marginally softer after arbitrage buying offset earlier selling by overseas and individual investors, *writes Emiko Terazono in Tokyo.*

The index lost 22.91 at 19,261.45 after a day's high of 19,298.96 and low of 19,115.72. Arbitrage unwinding coupled with profit-taking by foreigners and retail investors depressed the index, but corporate and arbitrage buying helped share prices recoup losses later.

Volume totalled 231m shares, against 290m. The Topix index of all first section stocks gained 0.15 at 1,517.82 and the Nikkei 300 put on 0.20 at 278.70, but falls led rises by 555 to 388, with 228 issues unchanged. In London the ISE/Nikkei 50 index was up 1.77 at 1,252.25.

Traders said investors were cautious ahead of today's US Federal Open Market Committee meeting, which is expected to decida on an interest rate rise.

Meanwhile, investors continued to focus on earnings announcements. Many analysts believed that most of this year's earnings growth had been discounted into share prices, as well as most of the profits rise for next year. However, Mr Jason James at James Capel said the profits growth for the whole economic cycle had yet to be factored into the market.

The rise in the dollar against the yen supported export-orientated electricals. The US currency moved up to the Y98 level for the first tima since October 18. Mitsubishi Electric rose Y4 to Y702, NEC Y10 to Y1,160 and Pioneer Electronic Y20 to Y2,500.

Tokyo Securities, which announced a Y32bn extraordinary loss stemming from unauthorised derivatives trading, finished at an offered price of Y570, down from its Friday close of Y670. Nikko Securities, a leading shareholder in Tokyo, declined Y20 to Y1,000. Other leading brokers were mixed, with Nomura Securities unchanged at Y1,870 and Yamaichi Securities adding Y14 at Y699.

Mitsui Fudosan, a leading real estate developer, retreated Y20 to Y1,000 following poor interim earnings announced last week. The company posted a 50 per cent fall in first-half recurring profits. In contrast, Mitsubishi Estate, another property developer, moved up Y4 to Y702.

In Osaka, the OSE average rose 29.02 to 21,293.58 in volume of 114.5m shares.

Roundup

Today's Federal Open Market Committee meeting restrained a number of Pacific Rim markets, although others found domestic factors to take them higher.

SEOUL saw broadly based advances in a technical rebound after last week's four consecutive declines, and the composite index rallied 12.34 to 1,128.57.

A 28-times oversubscription of the state-owned Korea Telecom shares bolstered others in the sector. Korea Mobile hit its upper limit of Won12,000 at Won631,000 and Dacom added Won2,500 at Won126,500.

TAIPEI turned back as short-term investors and speculators took profits and retreated to the sidelines in the belief that the market would stagnate in the two weeks before next month's elections. The weighted index ended 89.41 or 1.4 per cent down at 6,393.27 in turnover of T$26.9bn.

SYDNEY lost ground on expectations of higher US interest rates, and the All Ordinaries index weakened 25.5 or 1.3 per cent to 1,926.5, its lowest close since September 22, 1993.

WELLINGTON was on hold ahead of the FOMC meeting. The NZSE-40 Capital index closed 22.02 off at 2,054.61 in light turnover of NZ$22m. Fletcher Challenge fell 14 cents to NZ$4.25.

HONG KONG ended a lifeless session slightly higher, having reversed mild losses in late trade, boosted mainly by a jump in shares of Li Ka-shing's companies.

The Hang Seng index put on 11.07 at 9,378.92 in turnover that fell to HK$1.75bn, the lowest since July 5.

BOMBAY was again led lower by falls in Reliance and Tata Iron and Steel. The BSE 30-share index dropped 37.71 to 4,020.99 on selling pressure from mutual funds busy mobilising funds for several forthcoming primary issues. Tisco fell Rs7.50 to Rs267.50 and Reliance Rs8.75 to Rs363.75.

SINGAPORE blue chips closed mixed but Malayaian stocks traded over the counter found fresh demand from retail buyers. The Straits Times Industrial index firmed 4.35 to 2,326.94, while Malaysian situation stocks rose sharply, resulting in a 22.92 gain in the UOB OTC index to 1,182.59.

KUALA LUMPUR was broadly higher in cautious trade and the composite index closed 14.44 ahead at 1,044.31, helped by gains in some key blue chip stocks.

BANGKOK finished firmer on late buying of blue chips, after drifting in negative territory for most of the morning. The SET index added 11.62 at 1,477.84 in turnover of Bt5bn.

S African shares easier

Johannesburg finished slightly lower in quiet trade, with a lack of fresh factors to motivate investors.

The overall index receded 5 to 5,861, industrials dipped 6 to 6,794 and golds declined 22 to 2,164.

Financial stocks, however, extended recent steady gains after some strong corporate results. The financial index was 38 higher at 4,841.

Barlows was a firm spot in industrials, gaining 50 cents at R33.25 ahead of results released in the afternoon, in turnover of almost R21m.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY NOVEMBER 11 1994								THURSDAY NOVEMBER 10 1994					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (68)	167.53	-1.3	155.28	103.25	133.09	148.07	-1.1	3.85	169.70	157.58	105.17	135.41	149.65	189.15	149.36	153.66
Austria (16)	180.61	0.0	167.59	111.43	143.63	143.72	-0.4	1.12	180.79	167.87	112.04	144.26	144.34	198.89	167.46	173.31
Belgium (36)	168.61	0.5	156.47	104.04	134.10	130.93	0.0	4.22	168.01	156.00	104.12	134.06	130.93	177.04	151.07	151.23
Brazil (28)	185.77	-1.4	172.19	114.49	147.57	286.37	-1.1	0.72	188.30	174.85	116.70	150.25	289.59	-	-	-
Canada (109)	131.47	-0.2	121.86	81.02	104.44	129.30	-0.2	2.64	131.78	122.34	81.65	105.13	129.56	145.31	120.54	134.79
Denmark (33)	248.62	1.3	230.63	153.35	197.86	202.03	0.8	1.47	245.54	228.00	152.17	195.93	200.43	275.78	230.27	238.93
Finland (24)	194.61	0.5	180.39	119.94	154.90	189.89	-0.1	0.74	193.69	179.85	120.03	154.55	190.18	201.41	116.85	122.09
France (101)	171.62	0.4	159.08	105.77	136.34	141.49	0.0	3.07	171.00	158.75	105.97	136.44	141.49	185.37	159.34	161.61
Germany (58)	143.65	0.1	133.16	88.54	114.12	114.12	-0.3	1.82	143.44	133.19	88.89	114.45	114.45	150.40	128.37	130.61
Hong Kong (58)	379.97	-0.3	352.20	234.16	301.85	377.01	-0.3	3.17	381.19	353.95	236.23	304.16	378.23	506.56	341.29	390.05
Ireland (14)	204.15	-0.7	189.23	125.82	162.18	182.95	-1.0	3.49	205.53	190.84	127.37	164.00	184.82	216.60	172.05	177.50
Italy (59)	78.51	0.0	72.78	48.39	62.37	91.81	-0.4	1.71	78.53	72.92	48.67	62.66	92.20	97.78	57.86	62.85
Japan (468)	156.25	0.4	144.83	96.30	124.12	96.30	-0.1	0.80	155.58	144.46	96.42	124.14	96.42	170.10	124.54	145.48
Malaysia (97)	508.03	0.3	470.90	313.11	403.58	500.30	0.1	1.68	506.40	470.22	313.83	404.08	499.53	621.53	430.71	482.78
Mexico (18)	2064.95	1.4	1914.02	1272.65	1640.37	7764.28	1.4	1.32	2036.09	1890.59	1261.81	1624.63	7656.84	2647.06	1696.28	1823.41
Netherland (18)	215.25	-0.2	199.52	132.66	171.00	168.34	-0.6	3.43	215.67	200.26	133.66	172.09	169.43	223.30	187.01	190.12
New Zealand (14)	75.56	-0.8	70.02	46.56	60.01	64.61	-0.8	4.49	76.19	70.75	47.22	60.80	65.14	77.58	59.22	59.41
Norway (23)	196.85	0.3	182.46	121.32	156.37	178.46	-0.3	1.85	196.15	182.16	121.58	156.54	178.99	211.74	165.52	175.08
Singapore (44)	389.48	-1.2	361.01	240.04	309.40	263.80	-1.3	1.60	394.03	365.88	244.19	314.41	267.19	401.38	294.86	318.21
South Africa (59)	335.61	0.1	311.08	206.84	266.60	300.39	0.2	2.13	335.18	311.24	207.72	267.45	299.72	342.00	205.55	219.05
Spain (38)	142.01	0.4	131.63	87.52	112.81	136.79	0.0	4.26	141.50	131.39	87.69	112.90	136.81	155.79	128.88	187.79
Sweden (36)	236.31	0.7	219.04	145.64	187.73	253.96	-0.1	1.57	234.58	217.82	145.37	187.16	254.14	242.68	175.63	195.65
Switzerland (47)	166.15	0.3	154.01	102.40	121.99	131.93	-0.2	1.84	165.68	153.84	102.67	132.20	132.14	176.56	146.04	146.40
Thailand (46)	173.26	0.1	160.60	106.78	187.64	187.64	0.0	1.99	173.12	160.75	107.29	138.14	187.78	-	-	-
United Kingdom (204)	200.11	-0.6	185.49	123.33	158.87	185.49	-0.6	4.13	201.40	187.01	124.81	160.70	187.01	214.96	181.11	186.67
USA (515)	189.05	-0.4	175.24	116.52	150.18	189.05	-0.4	2.89	189.87	176.30	117.67	151.50	189.87	196.04	178.95	188.50
Americas (664)	176.94	-0.4	164.01	109.05	140.56	147.03	-0.4	2.82	177.65	164.96	110.09	141.75	147.61	-	-	-
Europe (707)	172.80	-0.1	160.17	106.50	137.27	150.97	-0.4	3.10	172.95	160.59	107.18	138.00	151.62	178.58	154.79	165.69
Nordic (116)	227.31	0.6	210.69	140.09	180.57	208.74	0.1	1.42	225.52	209.41	139.76	179.95	208.56	233.91	173.19	186.99
Pacific Basin (793)	165.48	0.3	153.39	101.99	131.46	106.60	-0.2	1.14	165.04	153.25	102.28	131.69	107.01	178.86	134.78	154.47
Euro-Pacific (1500)	168.45	0.1	156.14	103.82	133.82	124.25	-0.3	1.99	168.26	156.24	104.27	134.28	124.82	175.14	143.88	155.28
North America (618)	185.48	-0.4	171.92	114.31	147.34	184.95	-0.4	2.88	186.27	172.95	115.43	148.62	185.73	192.73	175.67	185.17
Europe Ex. UK (503)	154.42	0.2	143.13	95.17	122.67	130.55	-0.2	2.49	154.04	143.03	95.46	122.91	130.82	158.12	135.94	138.05
Pacific Ex. Japan (325)	255.03	-0.5	236.40	157.18	202.60	225.40	-0.5	2.88	256.42	238.10	158.91	204.61	226.59	286.21	232.54	241.04
World Ex. US (1708)	170.38	0.1	157.93	105.01	135.35	128.05	-0.3	1.99	170.20	158.03	105.47	135.80	128.38	176.65	145.58	156.36
World Ex. UK (2019)	173.17	0.0	160.52	106.73	137.57	142.80	-0.3	2.11	173.21	160.83	107.34	138.21	143.29	178.59	155.96	164.19
World Ex. Japan (1755)	187.69	-0.3	173.97	115.67	149.10	178.73	-0.4	2.91	188.22	174.77	116.65	150.18	177.45	195.20	176.34	176.78
The World Index (2223)	175.55	-0.1	162.72	108.19	139.45	146.74	-0.3	2.30	175.69	163.13	108.88	140.19	147.22	180.90	158.85	166.09

Constituent change with effect 18/11/94: Addition: Renault (France). Latest prices were unavailable for this edition. Markets closed 11/11/94: Belgium and France.